

Financing Federal-Aid Highways

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Introduction

Because of a continuing demand for information concerning the financing of Federal-aid highways, the Federal Highway Administration (FHWA) prepared a report, “Financing Federal-Aid Highways,” in January 1974 to describe the basic process involved. The report was modified and updated in July 1976, May 1979, October 1983, November 1987, and May 1992. These updates were prepared following enactment of new highway or surface transportation acts to reflect changes made by those acts.

Enactment of Public Law 105-178, the Transportation Equity Act for the 21st Century (TEA-21), has made it necessary to update the May 1992 version to incorporate the significant changes in financing procedures brought about by that act.

As with previous versions, this report follows the financial process from inception in an authorization act to payment from the Highway Trust Fund (HTF), and includes discussion of the congressional and Federal agency actions that occur throughout.

A glossary of terms used in this report can be found in Appendix A.

Authorization Act

The first and most crucial step in financing the Federal-Aid Highway Program (FAHP) is development of authorizing legislation. An authorization is a statutory provision that establishes or continues a Federal agency, activity, or program for a fixed or indefinite period of time. Authorizing legislation for highways began with the Federal-Aid Road Act of 1916 and the Federal Highway Act of 1921. These acts provided the foundation for the FAHP as it exists today. The FAHP has been continued or renewed through the passage of multi-year authorization acts ever since then. In addition, since 1978, Congress has passed highway legislation as part of larger, more comprehensive, multi-year surface transportation acts.

Surface transportation acts can vary in their scope and duration. For instance, they can come in the form of a stop-gap funding bill—such as the 6-month Surface Transportation Extension Act enacted on December 1, 1997—which was designed to extend the program and keep it operational while more comprehensive authorizing legislation was debated and eventually passed by Congress. However, most surface transportation acts are major multi-year bills, such as the Intermodal Surface Transportation Efficiency Act (ISTEA) and the Transportation Equity Act for the 21st Century (TEA-21). The TEA-21, enacted June 9, 1998, is the most recent authorization act for the FAHP.¹ Appendix B provides a chronology of events leading to passage of the TEA-21. The TEA-21 included nine titles: I - Federal-aid Highways; II - Highway Safety; III - Federal Transit Administration Programs; IV - Motor Carrier Safety; V - Transportation Research; VI - Ozone and Particulate Matter Standards; VII - Miscellaneous; VIII - Transportation Discretionary Spending Guarantee and Budget Offsets; and IX - Amendments of the Internal Revenue Code of 1986.

The financing of other Federal programs may be much more dependent on a second legislative act, known as an appropriations act, than on authorizing legislation. Appropriations acts and their impact on the FAHP will be discussed in more detail in a later section. The remainder of this section is devoted to a general overview of the steps involved in developing an authorization act, and a more detailed description of the FAHP itself.

Administration Bill

The Administration (executive branch) normally proposes legislation to reauthorize highway and other surface transportation programs. Although not required to by law, the Administration develops a legislative proposal in order

to present its position on the future of surface transportation. The Department of Transportation (DOT) will prepare the proposed legislation, with affected operating administrations (e.g., the FHWA, the National Highway Traffic Safety Administration (NHTSA), the Research and Special Programs Administration (RSPA), the Federal Railroad Administration (FRA), the Federal Transit Administration (FTA), and the Bureau of Transportation Statistics (BTS)) participating in the development. To ensure consistency with the Administration's policy, the Office of Management and Budget (OMB) reviews and approves the legislation prior to the Administration sending the bill to Congress.

The comprehensive Administration bill prepared by the DOT is introduced in Congress at the request of the Administration. Although the bill must be sponsored by at least one member of Congress in order to be introduced, this does not necessarily mean that the sponsor endorses all provisions in the proposed bill. Congress will consider the Administration bill in formulating its own legislation, and may incorporate entire provisions verbatim, but rarely enacts an entire Administration bill without change.

Congressional Bills

#Committees. Because of the vast number of measures introduced in Congress and the wide array of subjects covered, Congress is broken up into committees, with each committee having jurisdiction over a specific area. These committees vary in size and each committee's title usually indicates the general scope of its jurisdiction. These committees conduct investigations, make studies, issue reports and recommendations, and review and prepare measures on their assigned subjects. Most committees also divide their work among several subcommittees with narrower focus and jurisdiction. This committee framework is designed to consolidate decision making on broad public policy areas.²

Responsibility for developing surface transportation legislation rests with specific authorizing committees, and their appropriate subcommittees, in Congress. The Ground Transportation Subcommittee of the Committee on Transportation and Infrastructure in the House of Representatives, and the Subcommittee on Transportation and Infrastructure of the Committee on Environment and Public Works in the Senate have primary jurisdiction for a major part of the FAHP, including responsibility for drafting highway authorizing legislation. Furthermore, the jurisdiction of the House Transportation and Infrastructure Committee extends to mass transit and safety. In the Senate, however, the Commerce, Science, and Transportation Committee has jurisdiction over safety while the Banking, Housing, and Urban Affairs Committee has jurisdiction over mass transit concerns. Highway Trust Fund and other revenue matters fall under the purview of the House Ways and Means and the Senate Finance Committees. Thus, legislation involving surface transportation matters can occur simultaneously and independently in any of these committees in both the House and Senate.

Congress begins the authorization process by conducting hearings as a springboard for developing authorizing legislation, and normally holds such hearings on surface transportation about 9 months to a year before expiration of the current authorization act. The purpose of these congressional hearings is to give interested organizations, citizens, members of Congress, and the

executive branch an opportunity to present their views on the future direction of Federal surface transportation programs.

Once the committee hearings are completed, the subcommittees begin preparation of draft surface transportation legislation, taking into consideration information obtained during the hearings. They may also include elements taken from proposed surface transportation bills submitted during the current session of Congress and referred to the full authorizing committees. Such bills may be proposed by several groups, including, as mentioned, by the Administration, as well as by members of Congress who have an interest in surface transportation, and by the chairmen or ranking minority members of full authorizing committees or subcommittees. Often, member-introduced bills concern only one facet of the program, such as safety initiatives or the bridge program. Bills proposed by committee leadership are usually comprehensive, and represent an attempt to reconcile competing views from several sources. Such bills commonly take on the name of their principal sponsor, frequently serve as the basis for additional committee hearings, and are primary documents in preparing draft legislation.

As the House and the Senate work independently on their separate bills, each body has its own schedule for hearings, committee meetings, and procedural votes. Although they may be developed concurrently, House and Senate surface transportation bills remain separate until brought together in Conference Committee, much later in the legislative process.

#Congressional Procedures. Subcommittee members “mark up” (amend) the draft bill until a majority agree to submit the revised bill to the parent full committee which in turn holds its own mark up session. Entire new sections may be added, even to the point of preparing a completely different version, although this is uncommon. Once approved by a majority of the full committee, the bill is sent to other committees having jurisdiction over some aspect of the program (e.g., for Trust Fund matters, the House Ways and Means and Senate Finance committees would have jurisdiction). The bill is then “reported out” to the full chamber of its respective body of Congress.³ Accompanying each bill is a committee report that expands upon the legislative language in the bill and is used by the executive branch and the courts to determine congressional intent. There are separate committee reports for the Senate bill and the House bill.

The proposed House surface transportation bill is debated, amended, and voted upon on the floor of the House of Representatives. The Senate follows the same procedure for its bill. When the Senate and House pass their respective bills, a conference committee is formed to reconcile differences and arrive at a mutually acceptable compromise.

Upon agreement by the conference committee, a single bill with its attendant report is returned to each body of Congress for final passage. Conference bills must be voted on in their entirety exactly as presented by the conferees. When the conference bill has passed both the House and Senate, it is transmitted to the President for signature.

Figure 1 displays the typical process as described.

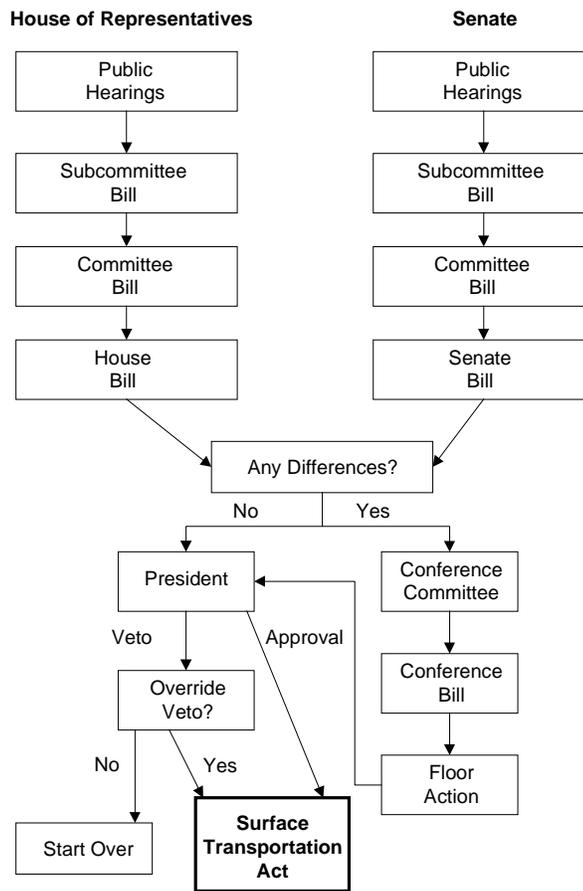


Figure 1.—Congressional Procedures (simplified, typical process).

Federal-aid Highway Program

It is critical to understand the meaning of the word “program.” First, “program” is used as an umbrella term referring to activities administered by the FHWA.⁴ When this report uses “program” in this all-encompassing sense, it will use the term “Federal-aid Highway Program” (FAHP). Second, “program” also refers to any one of the separately funded categories that make up the overall FAHP. For example, the Interstate Maintenance (IM) Program and the Surface Transportation Program (STP) each has its own specific and separate funding, described in law, and each is considered a program.

In addition to having its own distinct and separate funding, each program has associated with it certain activities for which that funding may be used. These are described in law and are referred to as eligible activities. These activities, often eligible under a number of programs, are not considered programs in the financial sense of the term as used in this report because the legislation does not single out these activities for specific funding.

When an authorization act establishes a program, it sets certain ground rules under which the program operates, including: the amount of funds available to the program for each fiscal year; a description of how those funds are to be distributed; the length of time during which the funds may be used, termed a period of availability; and a listing of eligible activities. These can be changed by subsequent authorization acts, as well as by other acts.

#Program Changes. As pointed out earlier, authorization acts are the primary instruments used by Congress to shape and direct the FAHP. This is done by modifying existing programs, by adding or eliminating programs, and by changing requirements for programs. The following are examples of such actions in the TEA-21, but this list does not include all changes brought about by the act:

Modifying an existing program. The TEA-21 changed the Highway Bridge Replacement and Rehabilitation Program (HBRRP) such that if a State transfers funds out of the HBRRP in a given fiscal year, the transferred amount will be deducted from the total cost of deficient bridges in that State and in all States for purposes of apportioning HBRRP funds in the following year.⁵

Adding or eliminating a program. The TEA-21 established the National Corridor Planning and Development Program, which provides funds for the planning, design, and construction of corridors of national significance, economic growth, and international or interregional trade; and the Coordinated Border Infrastructure Program, which is designed to improve the safe and efficient movement of people and goods at or across U.S. borders with Canada and Mexico.⁶ Conversely, the Interstate Reimbursement program, which was established by the ISTEA to reimburse States for their cost of constructing segments of the Interstate System without Federal financial assistance, was not continued by the TEA-21.

Modifying requirements. The TEA-21 consolidated the previous 16 metropolitan and 23 statewide planning factors into seven broad areas to be considered in the planning processes.⁷

In addition to changing program features, authorization acts often contain requirements for studies. Studies are largely the result of either an impasse regarding the best solution to a problem or a lack of sufficient information to formulate a policy. The TEA-21 requires submission of approximately 75 reports covering specific studies, demonstration projects, pilot projects, and other special projects. Most of these reports are completed by the departmental agencies with primary oversight over the areas in question.

#Authorizations. The other major purpose of authorization acts is to provide funding for programs. These funds are called “authorizations,” and are the upper limits of funding made available to a program. The TEA-21 authorized a total of \$218 billion for highways, highway safety and transit, which represents a 40 percent increase over the \$155 billion authorized in the ISTEA.

Appendix C lists the programs authorized by the TEA-21 and the amounts provided for fiscal years (FYs) 1998 through 2003.

The remainder of this report explains how the FAHP authorizations are distributed, the requirements associated with their use, the controls placed on spending, and the role of the Highway Trust Fund in highway spending.

Title 23 U.S.C.

New surface transportation authorization acts amend Title 23 of the United States Code (U.S.C.). Title 23, U.S.C., is titled “Highways” and includes most of the laws that govern the FAHP arranged systematically, or codified. Generally, Title 23, U.S.C., embodies those substantive provisions of highway law that Congress considers to be continuing and which need not be reenacted each time the FAHP is reauthorized. Each new surface transportation act specifies which sections of Title 23, U.S.C., are to be repealed, added, or amended.

Some provisions of surface transportation law are not incorporated into Title 23, U.S.C. Authorization amounts themselves are not usually codified. Examples of other provisions not codified by the TEA-21 are the Transportation and Community and System Preservation Pilot Program (Section 1221 of the TEA-21) and the Advanced Travel Forecasting Procedures Program (Section 1210 of the TEA-21).

Federal-aid Financing Procedures

The financing cycle for the Federal-aid Highway Program (FAHP) begins when Congress develops and enacts surface transportation authorizing legislation, such as the Transportation Equity Act for the 21st Century (TEA-21). For a specified period of years (the TEA-21 covers 6 years, but this is not mandatory), the authorizing act not only shapes and defines programs, but also sets upper limits (authorizations) on the amount of funds that can be made available to the Secretary of Transportation, acting through the FHWA and other departmental agencies, to carry out these programs.⁸

Budget Authority

Once Congress has established these authorizations, the next question is *when* do they become available for obligation. The license to proceed with Federal programs is called “budget authority.” There are two types of budget authority: “contract authority,” which is available without further Congressional action, and “appropriated budget authority,” which cannot be distributed and used until a second piece of legislation, an appropriations act, is passed. Both concepts are described in the following paragraphs.

#Appropriated budget authority. Most Federal programs operate using appropriated budget authority, which requires a two-step process to implement. The congressional passage of authorizations is only the initial step. This, in itself, does not permit the program to begin, but only sets an upper limit on program funding. The program may start, i.e., the authorizations may be distributed and used, only after passage of a second piece of legislation, the appropriations act. In an appropriations act, the Congress makes available the amount that can actually be used for the program. It is at this point that the program can proceed. In other words, “budget authority”—the approval to distribute, spend, loan, or obligate funds—has been granted through the appropriations act at the level of the appropriations, which may be equal to or lower than the originally authorized level of funding.

An example of an appropriated budget authority program in the TEA-21 is the National Historic Covered Bridge Preservation Program.⁹ Although \$10 million is authorized for each fiscal year from 1999 through 2003, none of those funds may be distributed until appropriated. For instance, no funds were appropriated for this program in FY 1999, so no funds were distributed.

Figure 2 shows the typical procedural steps for these appropriated budget authority programs.

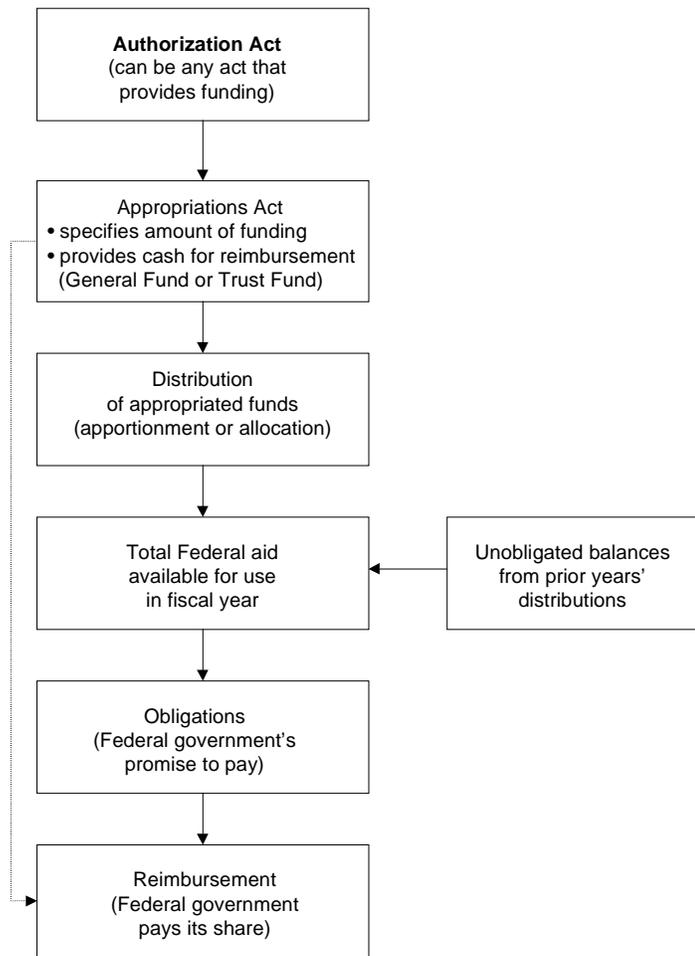


Figure 2.—Appropriated Budget Authority Programs.

Contract authority. Most programs within the FAHP, however, do not require this two-step process. Through what is termed “contract authority” (a special type of budget authority), authorized amounts become available for obligation according to the provisions of the authorization act without further legislative action. With respect to the FAHP, funds authorized for a fiscal year are available for distribution via apportionment or allocation (both concepts will be discussed in a subsequent section of this report) on the first day of that fiscal year (October 1). The use of contract authority, first legislated for the highway program in the Federal-Aid Highway Act of 1921, gives the States advance notice of the size of the Federal-aid program at the time an authorization act is enacted and eliminates much of the uncertainty contained in the authorization-appropriation sequence.

The financial procedures for contract authority programs are shown in Figure 3.

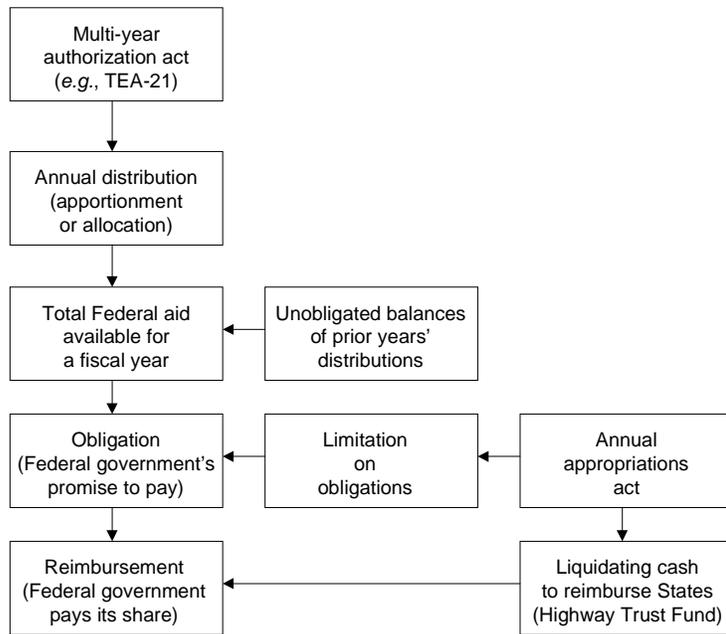


Figure 3.—Contract Authority Programs.

To have contract authority, a Federal-aid highway program must meet the following two criteria:

1) *Chapter 1 reference.* The authorization must be encompassed in Chapter 1 of Title 23, United States Code (U.S.C.), or its authorizing language must refer to Chapter 1. The primary wording conferring contract authority states that the Secretary of Transportation shall distribute funds that have been authorized¹⁰ and the authorizations “shall be available for obligation on the date of their apportionment or allocation or on October 1 of the fiscal year for which they are authorized, whichever occurs first.”¹¹ As stated earlier, apportionments and allocations will be discussed later in this section.

2) *Trust funded.* The program must be financed from the Highway Trust Fund (HTF). This link between the HTF and contract authority programs has existed since passage of the Congressional Budget and Impoundment Control Act of 1974. Because one of the main purposes of that act was to give Congress greater control over Federal spending, it sought to reduce the number of programs that received budget authority prior to passage of appropriations acts, the legislation through which Congress annually meters spending. However, Congress also realized that there were certain programs, such as the highway program, that required advance knowledge of the size of future funding commitments to do long-range planning and to operate smoothly from year to year. Thus, the 1974 Budget Act permits several exceptions to the standard two-step, authorization/appropriation process. One of these is for programs whose new budget authority is derived from trust funds, 90 percent or more of whose receipts are user-related taxes.¹² The FAHP falls into this

category since it is supported by the HTF, and was thus allowed to continue to operate with contract authority.

It should be recognized that, by definition, contract authority is unfunded and a subsequent appropriations act *is* necessary to liquidate (pay) the obligations made under contract authority.

Reimbursable Nature of the Program

It is important to understand that the FAHP is not a “cash up-front” program. That is, even though the authorized amounts are “distributed” to the States, no cash is actually disbursed at this point. Instead, States are notified that they have Federal funds available for their use. Projects are approved and work is started; then the Federal government makes payments to the States for costs as they are incurred on projects.¹³ Furthermore, the amount of cash paid to the States reflects only the Federal share of the project’s cost. The step-by-step procedures related to distributing and using authorized amounts are discussed later in this section under “Distribution of Funds.”

Deductions

Before the authorizations are distributed, several deductions are made.

Administration. As provided in the law, an allowance of “not to exceed 1.5 percentum,” is deducted for administering the provisions of Title 23, U.S.C.¹⁴ This deduction (known as the “administrative takedown”) is made from the funds authorized for the following programs: Interstate Maintenance Program (IM), National Highway System (NHS), Surface Transportation Program (STP), Congestion Mitigation and Air Quality Improvement Program (CMAQ), Highway Bridge Replacement and Rehabilitation Program (HBRRP), Minimum Guarantee, Appalachian Development Highway System Program, Recreational Trails Program, and the Federal Lands Highways Program (FLHP). This provision is an upper limit; thus the amount deducted for this purpose may be less than 1.5 percent if the full deduction is not necessary to cover the costs to administer the program.

This administrative takedown is used to pay the salaries of FHWA employees, travel expenses, supplies, office space, etc. Congress may also direct that additional programs be funded out of the administrative takedown. For example, in FY 1999, Congress directed that several programs be funded from the administrative takedown, including \$750,000 for the Office of the Inspector General (OIG) audit cost reimbursement¹⁵ and \$2,000,000 for administrative expenses for the Appalachian Regional Commission.¹⁶

Metropolitan planning. A second deduction is used to finance the metropolitan transportation planning activities mandated by Section 134 of Title 23, U.S.C. The deduction is equivalent to 1 percent of the authorizations remaining after the administrative deduction is made from IM, NHS, STP, CMAQ, and HBRRP.¹⁷ These funds are distributed to each State through a formula prescribed by law and are made available to Metropolitan Planning Organizations (MPOs) by the State, subject to the approval of the Secretary.¹⁸

Although these are the only deductions applied across several programs, other funds may be deducted for particular purposes. For example, a deduction of \$500,000 per year is made from the STP authorization to fund the Operation

Lifesaver Program, an education program designed to eliminate collisions at railroad grade crossings.¹⁹ Similarly, a deduction of an additional \$5.25 million per year is made from the STP authorization to fund Railway-Highway Crossing Hazard Elimination in High Speed Rail Corridors.²⁰ In some instances, the amount may vary from year to year.

A complete list of these deductions over the period of the TEA-21 can be seen in Appendix D.

Distribution of Funds

Once these deductions have been made from the authorized amounts, the FHWA distributes the remainder (unless there is a penalty situation, as described below) among the States based on formulas (apportionments) and other procedures (allocations) as prescribed by law.

Apportionments. The distribution of funds using a formula provided in law is called an apportionment. An apportionment is usually made on the first day of the Federal fiscal year (October 1) for which the funds are authorized.²¹ At that time, the funds are available for obligation by the State in accordance with the State's approved transportation improvement program.

A list of apportioned programs, as well as a description of the formulas by which the funds are distributed, is contained in Appendix E.

At the time of an apportionment, certificates denoting the sums deducted and the exact amount of each apportionment are issued by the FHWA, generally to the State's transportation agency. These certificates officially notify the States of the new funding available to them for each program. States then have the opportunity to request the Federal government to approve the obligation of funds in the various categories, thereby promising to reimburse the States later. Again, it is not cash that is apportioned.

When funds are distributed by apportionment, every eligible State is assured of receiving some portion of the amount distributed. Further, once an apportionment is made to a State, it cannot be taken away except by a congressional action (or by lapsing, which will be discussed later in this section).

Penalties. In order to enforce certain national priorities, the law may require the Secretary to take action that prevents a State from receiving/using its full apportionment. The action may be taken when the State does not comply with a required provision of law. Types of actions include the following:

Withhold apportionments. The law provides for penalties to encourage compliance with initiatives of national importance, such as minimum drinking age, zero blood alcohol concentration (BAC) tolerance for minors, and commercial driver's license provisions. For funds that are withheld, there may be a specific period of time by which the State must come into compliance before the withheld funds will lapse (be lost to the State). In some cases, the lapse can occur immediately.

Transfer apportionments. Another type of penalty situation requires that a portion of the noncompliant State's apportionment be transferred to another program within the State. An example of this type of penalty situation is the failure to enforce safety belt use.

Freeze use of apportionments or project approval. A penalty may also be imposed on funds that have already been apportioned by freezing (refusing to allow) project approvals in that State for any project financed with Federal funds, as is the case when a State fails to properly maintain its Federal-aid projects.

Appendix F contains a complete list of penalties associated with FHWA programs.

Earmarking of apportioned funds. Federal highway law requires that certain sums be used only for special purposes once they are apportioned to the States—

State planning and research. Two percent of the major categories (IM, NHS, STP, CMAQ, HBRRP, and Minimum Guarantee funds) may only be used for planning and research activities. One-fourth of this amount must be used for research, development, and technology transfer unless the State certifies, and the Secretary accepts the certification, that transportation planning expenditures will require more than 75 percent of the earmarked amount.²²

Safety and Transportation Enhancements. Ten percent of the STP apportionment to a State must be reserved for safety construction programs and another 10 percent must be reserved for transportation enhancement activities.²³ The latter covers a broad range of activities that include beautification, scenic or historic highway programs (including provision of tourist and welcome center facilities), establishment of transportation museums, and pedestrian and bicycle safety education and facilities.

Further distribution of apportioned funds. To promote the fair and equitable use of funds and to meet certain priorities, the remaining apportionments (after earmarkings) may be required by law to be further distributed within the State.

Surface Transportation Program. Of the remainder of the authorization after earmarking, 62.5 percent (this actually is 50 percent of the original apportionment) must be reserved in the following areas in proportion to the relative share each area constitutes of the State's population:

- (1) urbanized areas of over 200,000 population (the funds for which are further suballocated to each such area within a State based on the population of the area)²⁴, and

(2) other areas of the State. Out of this portion, the State must reserve in rural areas below 5,000 population an amount equal to 110 percent of the amounts apportioned to the State for the Secondary Program in FY 1991.²⁵ Furthermore, up to 15 percent of the funds reserved for rural areas may be obligated on roads functionally classified as rural minor collectors.²⁶

The remaining 37.5 percent (30 percent of the original apportionment) can be used anywhere in the State.²⁷ Appendix G outlines the flow of funds for the Surface Transportation Program.

Highway Bridge Replacement and Rehabilitation Program. At least 15 percent of a State's HBRRP apportionment must be used for public bridge projects that are not on a Federal-aid highway.²⁸ The maximum amount of the apportionment that can be used for this purpose is 35 percent. The 15 percent requirement can be waived whenever the Secretary determines that this expenditure is not needed.

Disadvantaged Business Enterprises. Unless the Secretary determines otherwise, not less than 10 percent of the TEA-21 authorizations for highway, transit, and research programs must be spent with small business concerns owned and controlled by socially and economically disadvantaged individuals.²⁹

Allocations. Although most highway program funds are distributed to the States through apportionments, some categories do not have a legislatively mandated distribution formula. Distributions of funds when there are no formulas in law are called "allocations" and may be made at any time during the fiscal year.

In most cases, allocated funds are divided among States with qualifying projects using criteria provided in law. Some allocations are made entirely according to provisions provided for in law and others allow for some discretion on the part of the Secretary in selecting recipients. Because of the limited funding for, and discretionary nature of, these programs, not every State will receive an allocation in a given fiscal year. Examples of allocations are the Interstate Maintenance Discretionary and Bridge Discretionary programs. If a State receiving an allocation does not use it within a specified period of time, it can be withdrawn and reallocated to other States.

Appendix H contains a list of allocated programs.

In some cases, Congress directs how certain allocated funds are to be distributed by requiring that particular projects are to receive specific amounts of funding. This may be done either in the legislative language or by including statements of congressional intent in the committee reports accompanying the legislation. An example of congressional direction is the earmarking of virtually all the FY 1998 and 1999 funds authorized in the TEA-21 for the Intelligent Transportation Systems Deployment program. The High Priority Projects authorized in the TEA-21 are another example of congressionally directed funds.

It is important to note that in distributing Federal-aid highway funds, whether by apportionment or allocation, the entire amount of the authorization will be distributed (except in the case of a penalty situation, as discussed earlier).

Funding equity. In an effort to ensure a level of funding equity among the States and address the concerns of States that contribute more in highway user taxes than they receive in Federal-aid highway funds, the TEA-21 provides a Minimum Guarantee.³⁰

The Minimum Guarantee consists of three main concepts—

First, each State is guaranteed a certain share of the total program based on percentages specified in the TEA-21. These shares total 100 percent and the “total program,” for the purposes of this calculation, consists of all the apportioned categories in the FAHP—IM, NHS, STP, HBRRP, CMAQ, Metropolitan Planning, the Recreational Trails Program, the Appalachian Development Highway System, and the Minimum Guarantee—plus the High Priority Projects.

Second, the Minimum Guarantee ensures that each State will receive at least 90.5 percent of its *share* of contributions to the Highway Account of the HTF. For example, Arizona contributed 1.7821 percent of the total FY 1997 Highway Account contributions (which are used in the FY 1999 Minimum Guarantee calculations). Arizona is thus guaranteed 1.6119 percent (1.7821% x 90.5%) of the total program in FY 1999. If the share from the first part of the Guarantee does not provide the 90.5 percent return to a State, then the State’s share is increased until it meets the test. The shares of all other States are reduced so that the total shares still add to 100 percent.

Third, each State receives at least \$1 million per year in Minimum Guarantee funds. An open-ended authorization is provided, ensuring that there will be sufficient funds to meet the objectives of the Guarantee.

Availability

When new apportionments or allocations are made, the amounts are added to the program’s unused balance from previous years (e.g., newly apportioned NHS funds are added to any existing balance of unused (unobligated) NHS funds). This situation arises because Federal-aid highway funds are available for use (obligation) for more than one year. Their availability does not terminate at the end of the fiscal year as is the case with many other Federal programs.

Period of Availability. As specified in law, most of the major Federal-aid program funds are available “...for a period of three years after the last day of the fiscal year for which the funds are authorized...”³¹ Thus, they are available for 4 years. For example, FY 1999 NHS funds apportioned on October 1, 1998, are available until September 30, 2002. It is also possible that some funds may be available until they are expended (such as for High Priority Projects, which are known as “no-year” funds). Appendix I lists major program categories for which new authorizations are provided by the TEA-21 and their period of availability.

Lapse. Should a State not obligate a particular year’s funding within the period of availability, the authority to obligate any remaining amount lapses—it is no longer available.³² An exception to this lapsing provision is the HBRRP apportionment. In the unlikely event that HBRRP funds are unused after 4 years, they would be pulled back from that State and redistributed to the other States.³³

When a State obligates funds, it is assumed that the oldest funds in a given category are obligated first. Through this first-in, first-out method the oldest funding still available for obligation is considered to be used first. When funds lapse, no cash need be returned to the Federal government since there was never any cash distributed.

Transferability

The level of authorizations reflects Congress’ relative priority among the many Federal-aid funding categories. However, the States may have differing needs or priorities. In response to this, the law provides flexibility in the use of specific sums by permitting transfers to be made among certain programs.

Appendix J contains a list of the transferability provisions.

Obligations

An obligation is a commitment—the Federal government’s promise to pay the States for the Federal share of a project’s eligible cost. This commitment occurs when the project is approved and the project agreement is executed.³⁴ Obligation is a key step in financing. Obligated funds are considered “used” even though no cash is transferred.

Obligation also is the step in the financing process under contract authority programs where budgetary controls may be imposed. If such controls are necessary, they are usually achieved by the imposition of limitations on the FAHP obligations (this is discussed later in the “Limitation on Obligations” section).

Federal Share

With a few exceptions, the Federal government does not pay for the entire cost of construction or improvement of Federal-aid highways. To account for the necessary dollars to complete the project, Federal funds must be “matched” with funds from other sources.

Federal share percentages. Unless otherwise specified in the authorizing legislation, most projects will have an 80 percent Federal share.³⁵ Exceptions include—

Interstate System. IM projects are funded with a Federal share of 90 percent. If NHS, STP, and CMAQ funds are used for projects on the Interstate system, the Federal share will be 90 percent (unless the project adds lanes that are not high-occupancy-vehicle or auxiliary lanes, in which case the Federal share will revert to the 80 percent level).³⁶

Sliding scale. States with large amounts of Federal lands have their Federal share of certain programs increased up to 95 percent in relation to the percentage of their total land area that is under Federal control.³⁷

100 percent Federal funding. Some types of projects require no matching funds—the Federal government pays 100 percent of the cost of Federal Lands Highways projects; Emergency Relief projects (for certain emergency repairs made within 180 days of the event causing the need for such repairs);³⁸ Highway Use Tax Evasion projects;³⁹ Woodrow Wilson Bridge (Bridge component only);⁴⁰ and certain safety projects.⁴¹

Tapered match. In some cases, a tapering match may be approved in which the Federal share may vary (not to exceed 100 percent) on individual progress payments on a project as long as the final contribution of Federal funds does not exceed the maximum Federal share authorized for the project.⁴² Progress payments are permitted as long as a project agreement has been executed pursuant to Section 106 of Title 23, U.S.C.⁴³

Appendix I shows the basic Federal share for selected programs.

Sources for matching funds. The required matching funds can come from the following sources:

- State and/or local governments' funds;
- private contributions;
- credit for donated private property or land lawfully obtained by the State or local government without the use of Federal funds;⁴⁴
- other Federal agencies, if specifically authorized in law, such as:
 - Federal land management agency funds may be used toward the non-Federal share of any Federal-aid highway project the Federal share of which is funded with IM, NHS, STP, CMAQ, or Recreational Trails funds;⁴⁵
 - funds from other Federal agencies may be applied to meet matching requirements for transportation enhancement projects;⁴⁶
- Federal Lands Highway Program funds, for Federal-aid projects that provide access to or within Federal or Indian lands.⁴⁷

Reimbursement

As mentioned previously, the FAHP is a reimbursable program. States are not apportioned cash but rather are notified that a balance of Federal funds is available for their use, meaning that the State can incur obligations, begin projects, and then later be reimbursed for costs incurred. The project need not be completed, however, before a State begins to receive reimbursement. Depending upon the type of the project, the time elapsing from obligation to reimbursement can vary from a few days to several years.

While payments normally are made to the States, if projects have been initiated on toll facilities under the jurisdiction of a public authority in a State, reimbursements can be made directly to that public authority if requested by the State transportation department.⁴⁸

The normal sequence of events for reimbursement is:

1. Work is done by a contractor.
2. The contractor sends a bill to the State and the bills for all work done throughout the State are processed by the State.
3. Vouchers for the bills are sent electronically by the State to the FHWA for review and approval.
4. The FHWA certifying officer certifies the State transportation department's claim for payment.
5. Certified schedules are submitted to the Treasury Department.
6. The Federal share of the cost for all projects on the vouchers are transferred directly from the Treasury Department to the State's bank account by electronic fund transfer.

It is possible that steps 3 through 6 may occur on the same day. The timing of the Federal payment to the State is governed by an agreement between the State and the U.S. Treasury in accordance with the Cash Management Improvement Act of 1990.⁴⁹ The FHWA's payments are generally deposited in the State's account on the same day payments to the contractor are made.

This sequence repeats, often beginning again before the previous round is completed. This is illustrated in Figure 4.

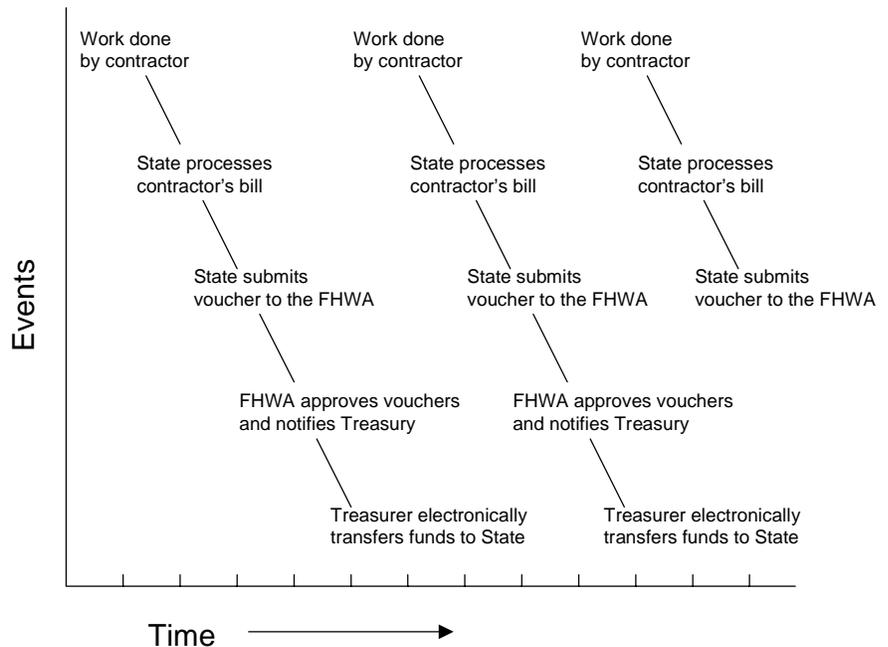


Figure 4.—Reimbursement.

Limitation on Obligations

The foregoing discussion has described the routine procedures for financing the Federal-Aid Highway Programs (FAHP) that have contract authority: authorizing legislation, distribution of funds, obligations, and reimbursements. Again, because of contract authority, the flow of these program funds is not directly affected by the annual appropriations process. This permits a smooth and stable flow of Federal-aid to the States, but this very benefit can be a disadvantage to overall Federal budgeting. A major function of the appropriations process is to assess the current need for, and effect of, Federal dollars on the economy. The appropriations process has been the traditional way to control Federal expenditures annually. But the highway program, with multiple-year authorizations and multiple-year availability of funds, would appear to be exempt from this annual review. The question arises: how can the highway program be covered under annual Federal budget decisions?

The answer is to place a limit, or ceiling, on the total obligations that can be incurred for the FAHP during a year. By controlling obligations annually, the program may be made more responsive to budget policy. As was discussed in the previous section, once an obligation is made, the Federal government *must* reimburse the States when bills become due. That “promise” must be kept. Consequently, it is impossible to place direct controls on outlays. However, Congress can limit obligations, thereby preventing that promise—and the subsequent payment—from being made. It should be pointed out that a limitation on obligations in a given year does not affect the scheduled apportionment or allocation of Federal-aid highway funds after they are authorized. The obligation ceilings set in the TEA-21 for fiscal years 1998 through 2003 are based on the guaranteed level of spending⁵⁰ (see discussion under “Appropriations”). Each year, the appropriations legislation will confirm or modify these TEA-21 ceilings.

Limitations

A limitation on obligations acts as a ceiling on the sum of all obligations that can be made within a specified time period, usually a fiscal year. Because of multi-year availability and the varying obligation rates among States and among programs, it would be difficult administratively to keep track of a ceiling placed on the use of a particular fiscal year’s apportioned or allocated funds (e.g., FY 1998) over several years. Thus, a limitation is placed on obligations that can take place during a certain fiscal year, regardless of the year in which the funds were apportioned or allocated. Traditionally, if there

happens to be any limitation unused at the close of a fiscal year, it *cannot* be carried over into the next fiscal year. The TEA-21 modified this slightly by providing that a portion of a year's limitation that is tied directly to a few, specific programs may be carried over for several years or until it is used. This will be discussed in more detail later in this section.

There are certain programs within the FAHP that are exempt from the obligation limitation. These programs are the Emergency Relief program and a portion of the Minimum Guarantee program (\$639 million per year). Accordingly, obligations from these programs do not count against the obligation limitation.⁵¹

The obligation limitation is divided among programs and the States based on a multi-step process provided in the TEA-21,⁵² but this process can be changed for a single year by the annual DOT and Related Agencies Appropriations Act. A step-by-step analysis of the obligation limitation distribution process, using FY 1999 as an example, is shown in Appendix K.

Under this distribution process, limitation is first reserved, or set aside, for administrative expenses, the Bureau of Transportation Statistics, the Highway Use Tax Evasion program, and carryover balances for allocated programs from previous years.⁵³

The limitation that remains after these initial set-asides are made is then compared to the total remaining new authorizations subject to the limitation for the year.⁵⁴ This ratio of total limitation to total authorizations (the "limitation ratio") is used in the remaining steps of the distribution process to determine how much limitation each program or State receives.

Next, the limitation ratio is used to calculate how much limitation is set aside for three State-administered programs—High Priority Projects, the Woodrow Wilson Memorial Bridge, and the Appalachian Development Highway System. The limitation set aside for these programs remains available until it is used. Similarly, \$2 billion in limitation is set aside for \$2 billion of funding for the Minimum Guarantee program and this limitation is also available until it is used; that is, it is "no-year" limitation.⁵⁵ It should also be noted that the lop off provision (described below) does *not* apply to these programs; i.e., the amount of the authorizations that may not be used due to the limitation simply carries forward to the next year.

Using the limitation ratio, limitation is then set aside for allocated programs (except for High Priority Projects and the Woodrow Wilson Memorial Bridge, which were dealt with as described above).⁵⁶ The amount of limitation each allocated program receives is calculated by multiplying the new authorization for the fiscal year of each program by the limitation ratio. The TEA-21 also provides that the limitation reserved for Intelligent Transportation Systems and research programs through this process is available for 3 years instead of expiring at the end of the year.⁵⁷

In years when the total limitation is *less* than the total new authorizations, the authorizations for these allocated programs are reduced to the amount of

limitation they receive.⁵⁸ The authorizations that are removed or “lopped off” from these programs are then distributed to the States as additional funding that can be used on STP-eligible projects. For example, in FY 1999, the Value Pricing Pilot Program was authorized at \$7 million and the limitation ratio for the year was 88.3%, resulting in \$6,181,000 in limitation being set aside for the program. Consequently, the authorization was reduced to \$6,181,000 and the excess \$819,000 was distributed to the States. Other programs subject to this lop-off provision include the Border Infrastructure program, the Federal Lands Highways program, and research programs. A complete list of affected programs is provided in Appendix L.

After these set-asides are made, the balance of the limitation is then distributed among the States with each State’s portion of the limitation being based on the State’s relative share of the total of apportioned funds (subject to the limitation) to all States for the fiscal year.⁵⁹ This limitation is available only until the end of the fiscal year.

The law also provides for a redistribution on August 1 of each fiscal year of the obligation ceiling from those States and programs unable to obligate their share of the full ceiling to other States that are able obligate more than their initial share of the ceiling.⁶⁰ This ensures the total limitation which is available for only 1 year will be used. The no-year limitation that may be carried over from year to year is not subject to this provision.

Table 1 illustrates how an actual limitation on obligations affects the highway program.

Table 1.—FY 1999 Limitation on Obligations* (for illustrative purposes only).

(Amounts in Billions of Dollars)	
Unobligated Balance (9/30/98)	15.2
Unobligated Balance with Special Carryover Limitation:	
FY 1998 No-Year Limitation	- 2.5
FY 1998 Multi-Year Limitation	- .2
Unobligated Balance without Carryover Limitation	12.5
New Apportionments/Allocations	+ 26.6
Total Funding Available without Carryover Limitation	41.1
FY 1999 Limitation	- 25.5
Amount Not Available for Obligation in FY 1999	15.6

*Applies to all Federal highway contract authority programs subject to the limitation.

It is important to recognize that the distribution and redistribution of the individual State ceilings do *not* constitute a grant or a retraction of apportioned and allocated sums. A State already has received apportionments or allocations as a result of authorizations in highway acts; the limitation is only *how much* of the State’s total unobligated balance of apportionments and allocations that the State may obligate during a given fiscal year.

Although a ceiling on obligations restricts how much funding a State may use in a fiscal year, the ceiling does give States more flexibility than an outright funding reduction. Each State receives a single, overall ceiling for the fiscal year which covers all of its programs, except those which are either exempt or receive special or no-year limitations. Within this overall limitation, the State has the flexibility to mix and match the type of program

funds it obligates (i.e., STP, NHS, CMAQ) based on its individual needs, as long as it does not exceed the ceiling in total. Also, the unobligated balance of apportionments or allocations that the State has remaining at the end of any fiscal year is carried over for use by that State during the next fiscal year.

History of Highway Limitations

The highway program has been subject to limitations since 1966. In the early years, the executive branch limited obligations. The common term for this action was “impoundment.” But, a turnabout came with enactment of the Congressional Budget and Impoundment Control Act of 1974.⁶¹ This act established a formal process for the Executive Branch and the Congress to follow in setting limits on the use of authorized funds.

Beginning with FY 1976, Congress became the branch of government that places annual limitations on obligations. However, the President’s budget each year has recommended a level for the ceiling to be imposed on the program. This recommendation is only a proposal to Congress for enactment. The Congress will consider it but may or may not actually follow the recommendation.

Congress places limits on the program through a legislative act, most frequently in an appropriations act since limitations are a form of budget control. But they often appear in other acts such as surface transportation authorization acts or reconciliation bills.

Congress can rescind (eliminate) previously authorized funds, although this is rarely done. In 1986 and 1990, a specified percentage of contract authority funds was sequestered (in effect, rescinded) when the overall Federal spending exceeded certain Budget Act⁶² targets, triggering automatic sequestration provisions. Similarly, in 1996, the authorizations for the FAHP were reduced due to a budget compliance provision included in Section 1003(c) of the ISTEA which placed a cap on the amount of funding that could be authorized out of the HTF in total between 1992 and 1996. This provision was triggered by the open-ended equity adjustment authorizations contained in the ISTEA which provided more funding to the States than was originally estimated at the time the act was passed. Once funds are eliminated (by any mechanism), they cannot be obligated by the States.

Summary

Highway programs having contract authority receive special consideration in that contract authority allows the obligation of funds based on an authorization act only. These highway programs are not affected by the annual adjustments in funding levels made to appropriated budget authority programs through the appropriations process. In order to control the highway program and make it responsive to current budgetary conditions, Congress imposes limits on the amount of multi-year Federal-aid highway apportionments and allocations that can be obligated each year. These limitations may be proposed by the executive branch but must be enacted by Congress to take effect. Limitations do not take back funds already provided to the States; they only slow the rate of obligation. The obligation limitation does result in the permanent loss of authorized funds from certain allocated programs through a “lop off” provision; these “lopped off” funds are not lost to the FAHP, as they are transferred to the States. Congress can, but rarely does, pass legislation to

rescind previously authorized funds. In such a case, the amounts rescinded, or eliminated, are not available to the States in future years.

Appropriations

The fiscal operations described so far have related to provisions contained in the authorization acts governing the highway program. Yet, as the last section described, there are also other legislative acts, such as appropriations acts, that affect the highway program. Though most of the Federal-aid highway programs do not receive budget authority through appropriations acts as do most other Federal programs, the appropriations act is important in the fiscal process.

For the most part, appropriations that are enacted for the highway program are contained in the annual DOT and Related Agencies Appropriations Act, although they can be placed in other legislative acts such as a supplemental appropriations act. In addition to affecting the FHWA's programs, these acts also affect all other DOT agencies and those activities of the Architectural and Transportation Barriers Compliance Board, National Transportation Safety Board, the Saint Lawrence Seaway Development Corporation, and the Washington Metropolitan Area Transit Authority.

The FHWA part of the act is divided into several accounts, each covering one or more highway funding categories. The accounts can be classified according to whether the type of programs composing them have contract authority or budget authority.

Appropriated Budget Authority

As stated, most Federal programs obtain their budget authority through the appropriations process. This type of funding is called "appropriated budget authority" because two steps—an authorization act and an appropriations act—are needed before obligations can be incurred. Under this process, a program (or project) is required to be authorized as part of an authorization act before funds can be appropriated for it. For an appropriated budget authority program, then, the appropriations act is crucial since it gives the go-ahead to obligate authorized funds, as well as the cash needed for reimbursement.

It should also be pointed out, however, that the appropriations committees in Congress sometimes appropriate funds for programs or projects for which there is no supporting authorization. Such an action is against the budgetary rules set by Congress and can be contested by a single member of Congress raising an objection (point-of-order) against the measure. However, if a point of order is not raised and the legislation is enacted, the measure stands.

Although budget authority is provided for some highway programs through appropriations acts, the majority of the Federal-Aid Highway Program (FAHP) is still funded through contract authority. In FY 1999, the total amount of appropriated budget authority provided for the FAHP was only \$332 million, compared to the \$29.3 billion provided in contract authority authorizations in the TEA-21 for the same fiscal year.

The source of funding for the appropriated budget authority accounts can be either the General Fund of the Treasury or the Highway Trust Fund (HTF). Since implementation of the Budget Act of 1974, general funded programs must have appropriated budget authority; i.e., they cannot have contract authority.

Contract Authority

Funds for contract authority programs can be obligated in advance of appropriations based upon the provisions of an authorization act. Although obligations are commitments to reimburse the States for the Federal share of a project's cost, actual cash reimbursements by the Department of the Treasury cannot be made until they are appropriated. This, then, is the primary function of an appropriations act as it relates to the major part of the highway program—the provision of the cash to liquidate the Federal commitment. The act provides the bulk of this cash in one account, Federal-Aid Highways, that covers liquidating cash needs for most of the contract authority, trust-funded categories. Examples of programs included in the Federal-Aid Highways account are the Surface Transportation Program, Interstate Maintenance Program, Transportation and Community and System Preservation Pilot Program, and High Priority Projects.

The \$24.0 billion of liquidating cash provided by the FY 1999 DOT and Related Agencies Appropriations Act in the Federal-aid highway account was based on an estimate of prior unpaid obligations plus new obligations incurred during FY 1999 for which vouchers are expected to be presented by the States for payment during the fiscal year. Therefore, this amount is the consequence of the authorization/obligation process but is not equivalent to either the amount authorized for FY 1999 or expected to be obligated in FY 1999. The liquidating cash amount will change from year to year. As discussed earlier, the liquidating cash provided in the accounts covering contract authority must come from the HTF because of the link established in the Budget and Impoundment Control Act between trust fund financing and contract authority.

Limitation on Obligations

Since the nature of the highway program (i.e., contract authority and reimbursement) prevents direct Federal control of cash outlays in any year, Congress relies on limitations on obligations to control the program and make it more responsive to prevailing budget and economic policy. By placing a ceiling on obligations, future cash outlays are indirectly controlled. It is in the budget/appropriations process that Congress concerns itself with overall Federal spending in terms of cash outflow; thus, a limitation on obligations will be included in an appropriations act.

A limitation on obligations and the process for distribution was included in the TEA-21 for each of the years covered by the act. However, Congress may change the amounts set or revise those procedures in the annual DOT and

Related Agencies Appropriations Act. The FY 1999 DOT and Related Agencies Appropriations Act contained two separate sections to establish limitations for the FHWA programs, one for programs under the Federal-Aid Highways (FAH) account and one for the Motor Carrier Safety Grants account. Again, these limitations are not restricting the amount of cash for reimbursements, but are ceilings on obligations that can be incurred during the fiscal year. The ceiling for the FAH account of \$25.511 billion for FY 1999 was set in the TEA-21 and confirmed in the FY 1999 DOT and Related Agencies Appropriations Act.

Other Appropriations

In addition to the annual DOT and Related Agencies Appropriations Act, other appropriations actions can affect the funding available for the FAHP. A supplemental appropriations act is sometimes necessary during the course of a fiscal year when it becomes apparent that additional funds are needed for key operations of the Federal government. The Administration will request that Congress enact supplemental legislation when it foresees this situation. Provisions relating to highways for which supplemental appropriations have been enacted include funds for pay increases or emergency projects where available Emergency Relief funds are not sufficient.

A continuing resolution provides cash to tide agencies over when an annual appropriations act has failed to be enacted by the beginning of the fiscal year. For the Federal highway program, the resolution provides cash so that reimbursements for authorized programs can continue to be made to the States at the same rate as the previous fiscal year (or the lowest rate included in either the Senate- or House-passed versions of an appropriations act if it is lower than the previous year) until the DOT annual appropriations bill is enacted. In recent years, continuing resolutions have become commonplace, and it has become more routine for continuing resolutions, like appropriations acts, to include provisions that establish (authorize) new, albeit small, programs.

The Federal Budget and Appropriations Acts

Omitted from the previous discussion was an explanation of how the amounts in the appropriations acts are derived. The usual course of events starts in the spring of each year, about 1½ years before the beginning of the fiscal year being addressed, when the FHWA begins work on the budget. Included in the FHWA budget are: (1) estimates of outlays (necessary cash to liquidate obligations), (2) proposed budget authority for those programs that do not have contract authority, (3) a proposed level of obligations for the Federal-aid programs that have contract authority, should some measure of control be considered necessary, (4) an estimate of the anticipated administrative costs to run the agency and oversee the program, and (5) the amount of revenue aligned budget authority (will be discussed at the end of this section). Also reviewed are policy issues that may affect the upcoming budget.

Development of the budget progresses through the FHWA, the Office of the Secretary of Transportation, and the Office of Management and Budget, where final decisions are made in early fall. The executive branch's budget activities culminate in the submission to Congress of the President's Federal Budget on the first Monday in February, less than 9 months before the fiscal year begins.

In the spring, Congress formulates its own version of the Federal budget, using the President’s budget as input. The Budget Committees (one in the House and one in the Senate) were established by the 1974 Congressional Budget and Impoundment Control Act to fulfill the function of drawing up budget resolutions and shepherding them through their respective houses. The budget resolutions set spending and tax levels and must also explicitly set a deficit or surplus level for the year. The House- and the Senate-approved budget resolutions then go through the conference committee process, and the agreed-upon version is sent back to each house for approval. The President’s signature is not required on budget resolutions. The congressionally-approved budget resolution is intended to guide the committees in formulating legislation for the next year.

If all is on schedule, all appropriations acts (including the DOT’s) are passed and signed by the President by October 1 of each year (the House is supposed to complete action on the acts by June 30). If, as often is the case, the DOT Appropriations Act is not enacted on time, then reimbursing cash is provided through a continuing resolution as previously discussed. The Administration will establish a temporary obligation limitation based on the length of the continuing resolution and the House and Senate actions to date on the full appropriation legislation. The apportionment or allocation of funds for contract authority programs will proceed on schedule whether or not an appropriations bill has been enacted because contract authority programs proceed on the basis of an authorizing act alone.

Table 2 shows the timetable for the Federal budget process.

Table 2.—Timetable for Federal Budget Process.

First Monday in February	President submits budget
February 25	Committees submit views and estimates to Budget Committee
April 15	Deadline for adopting budget resolution for coming year
May 15	Annual appropriations bills can be reported out
June 10	Deadline for reporting out all appropriations acts by House
June 30	Deadline to pass all appropriations acts by House
September 30	Deadline for enacting all spending measures
October 1	Fiscal year begins

The congressional procedures for enacting an appropriations act are like those for an authorization act described in “Authorization Act” and illustrated in Figure 1. One major difference is that the committees with jurisdiction are the Appropriations Committees and their transportation subcommittees in both the House of Representatives and the Senate. Also, with appropriations acts, action must originate in the House of Representatives.

***Budget Firewalls
and Guaranteed
Funding***

In general, the Federal budget takes into account all spending and revenue raising activities of the Federal government. If total spending in any fiscal year exceeds total revenue, the excess spending is the deficit for that fiscal year. Conversely, if revenue exceeds spending, there is a budget surplus in that fiscal year. The amount of budget deficit is important because it largely determines the amount of funds the government must borrow from the private economy to pay for excess spending during a fiscal year. The Federal debt, also referred to as the “national debt,” is the accumulated debt of the Federal

government. Whenever the Federal government runs a budget deficit, the additional borrowing to finance the deficit adds to the Federal debt. By contrast, if the Federal government runs a budget surplus, the Federal debt will decrease if the Treasury uses the surplus to reduce the outstanding debt.

The Budget Enforcement Act of 1990 (BEA1990) established multi-year deficit reduction goals and established the basic spending control framework that remains in use today. It divided spending into two categories—mandatory and discretionary—based on the ability of Congress to control the spending through the annual appropriations process.

Mandatory spending generally includes all spending for specific programs that is made pursuant to laws other than appropriations laws. The fundamental characteristic of mandatory spending is the lack of annual discretion to establish spending levels due to a binding legal obligation by the Federal government to provide funding for an individual, program or activity. Generally, Congress and the President cannot increase or decrease spending for these programs in a given year without changing existing substantive law. Mandatory spending accounts for about two-thirds of all spending and is authorized by permanent law. It includes outlays for entitlement programs—such as Food Stamps, Social Security, Medicare, and veterans' benefits—through which individuals receive benefits because they are eligible based on their age, income, or other criteria. It also includes interest on the national debt and non-entitlements such as payments to States from Forest Service receipts. Two surface transportation programs are mandatory—Emergency Relief and \$639 million/year of the Minimum Guarantee program.

By contrast, discretionary spending refers to those programs that are subject to annual funding decisions in the appropriations process. The Congress may reduce spending for a discretionary program by reducing its annual appropriation or, in the case of a contract authority program, by imposing an obligation limitation. Most of the operations of the Federal government are funded by discretionary spending through the 13 annual appropriations bills. Examples of discretionary spending—which accounts for approximately one-third of the all Federal spending—include funding for the Department of Defense, the Federal Bureau of Investigation, the Internal Revenue Service, the Environmental Protection Agency, and transportation.

Figure 5 shows the total spending for the Federal government for FY 1999, split between the mandatory and discretionary categories.⁶³

FY 1999 Federal Spending (Outlays)
(Amounts in Billions)

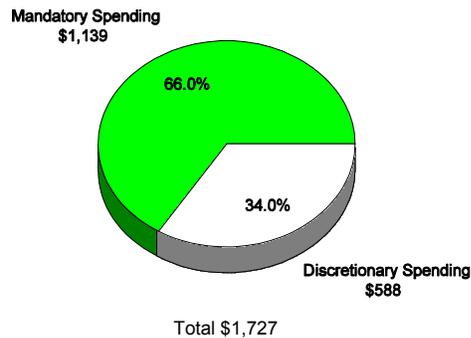


Figure 5.—FY 1999 Federal Spending.

The BEA1990 established annual caps on discretionary spending to help achieve its deficit reduction goals.⁶⁴ Under a spending cap, the Congress must adjust the spending for any or all programs subject to the cap so that total spending for those programs does not exceed the annual cap.

Within the discretionary category, spending for certain programs has been protected by budgetary “firewalls.” These firewalls take the form of separate spending caps for the protected programs that prevent the programs from being reduced in order to increase spending for other discretionary programs. Consequently, any reductions in these firewall programs for a particular year would go towards deficit reduction. Section 8101 of the TEA-21 created just such a firewall between highway spending, transit spending, and other domestic discretionary spending for FYs 1999 through 2003. Therefore, for FY 1999, there were five separate categories for discretionary spending: defense, violent crime reduction, highways, mass transit, and all other discretionary programs (lumped into a “non-defense spending” category).⁶⁵

As shown in Table 3, of the amounts authorized for surface transportation programs in the TEA-21, \$198 billion is guaranteed to be available for obligation during the 6-year period covered by the act—\$162 billion for highway and highway safety programs (which includes the discretionary spending firewall amount and mandatory spending) and \$36 billion for transit programs. The highway firewall protects the obligation limitations for Federal-aid Highways, Motor Carrier Safety Grants, Highway Traffic Safety Grants, and NHTSA Operations and Research. Funding for the Emergency Relief program and a portion of the Minimum Guarantee program (\$639 million per year) are mandatory spending. Authorizations contained in the TEA-21 for fiscal years 1998-2003 in excess of the guaranteed funding levels—\$15 billion for highway programs and \$5 billion for transit programs—may be made available by Congress through the annual appropriations process but such increases must be considered with and compete against all other domestic discretionary spending.

Table 3.—Guaranteed Funding (Amounts in Millions of Dollars).

	1998	1999	2000	2001	2002	2003	Total
Discretionary Spending "Firewalls":							
Highway Category (Sec. 8103(a)):							
FAH Obligation Limitation	21,500	25,511	26,245	26,761	27,355	27,811	155,183
Motor Carrier Safety	85	100	105	112	117	125	644
NHTSA	256	272	279	285	295	297	1,684
Subtotal	21,841	25,883	26,629	27,158	27,767	28,233	157,511
Transit Category (Sec. 8103(b)):	4,844	5,365	5,797	6,271	6,747	7,226	36,250
Total, Discretionary Firewalls	<u>26,685</u>	<u>31,248</u>	<u>32,426</u>	<u>33,429</u>	<u>34,514</u>	<u>35,459</u>	<u>193,761</u>
Mandatory Spending:							
Emergency Relief	100	100	100	100	100	100	600
Minimum Guarantee	639	639	639	639	639	639	3,834
Subtotal	<u>739</u>	<u>739</u>	<u>739</u>	<u>739</u>	<u>739</u>	<u>739</u>	<u>4,434</u>
TOTAL, Guaranteed Funding	<u>27,424</u>	<u>31,987</u>	<u>33,165</u>	<u>34,168</u>	<u>35,253</u>	<u>36,198</u>	<u>198,195</u>

NOTE: There is actually no firewall amount for FY 1998. The amounts shown for FY 1998 and included in the 6-year total reflect the amounts made available for obligation.

Revenue Aligned Budget Authority

The firewall amount for highways is keyed to the projected receipts to the Highway Account of the HTF. Another provision of the TEA-21 is that the firewall amount will be adjusted as new receipt projections are made and actual receipts for earlier years are known. This adjustment will be determined each year during the development of the President's budget, beginning with FY 2000. When the firewall amount is adjusted, either upward or downward, equal adjustments are made to the Federal-aid Highways (FAH) obligation limitation and authorizations. The adjustment of authorizations is called Revenue Aligned Budget Authority (RABA), but this term is often used to refer to the entire adjustment process.⁶⁶

Section 8101(d) of the TEA-21 contains projections of receipts into the Highway Account of the HTF for FYs 1998 through 2003, made at the time the legislation was developed. As part of the FY 2000 budget submission, the TEA-21 requires the Administration to compare actual FY 1998 Highway Account receipts with the TEA-21 FY 1998 projection, and to compare revised Department of the Treasury projections of FY 2000 Highway Account receipts with the TEA-21 FY 2000 projection. The sum of these differences, calculated to be \$1.456 billion, becomes the RABA funding level for FY 2000. Thus, under the guaranteed funding provisions, the FY 2000 FAH obligation limitation will be increased from the amount set in the TEA-21 (\$26.245 billion, see Table 3) to \$27.701 billion. This will cause the firewall for the highway category, which is composed of the obligation limitations for Federal-aid Highways, Motor Carrier Safety, and National Highway Traffic Safety Administration (NHTSA), to be increased from \$26.629 billion (see Table 3) to \$28.085 billion. When budgets are developed for each of fiscal years 2001 through 2003, a similar computation—looking at actual receipts from 2 years prior to the budget year plus revised receipt projections for the budget year—will occur.

The Highway Trust Fund

The previous sections have only peripherally mentioned the Highway Trust Fund (HTF). This has been intentional. The fact that the HTF is the source of funds for the Federal-Aid Highway Program (FAHP) has a limited impact on the financial procedures under which the highway program operates. The use of the Trust Fund provides two direct benefits to the highway program: (1) It allows the program to operate with contract authority through the 1974 Budget Act, and (2) it provides the opportunity for revenue aligned budget authority (see discussion under “Appropriations”). The following section briefly describes the operation of the HTF.

History

Before 1956, the year Interstate System authorizations were greatly increased, the HTF did not exist. Cash to liquidate previously incurred obligations for the FAHP came from the General Fund of the Treasury. Budget authority came through the granting of contract authority, as it does now. Although taxes on motor fuels and automobile products were in existence, they were not linked to funding for highways. At the time, financing for the highway program and revenues from automobile and related products were included under the public finance principle of “spend where you must, and get the money where you can.” Aside from this, the program operated in terms of authorizations, obligations, appropriations, and reimbursements—much as it does now.

The Federal-Aid Highway Act of 1956, coupled with the Highway Revenue Act of that same year, increased authorizations for the Federal-aid Primary and Secondary Systems, authorized significant funding of the Interstate System, and established the HTF as a mechanism for financing the accelerated highway program.⁶⁷ To finance the increased authorizations, the Revenue Act increased some of the existing user taxes, established new ones, and provided that most of the revenues from these taxes should be credited to the HTF. Revenues accruing to the HTF were dedicated to the financing of Federal-aid highways. The passage of the Highway Revenue Act of 1956 also increased the political acceptability of the additions in the user taxes and provided earmarked revenues to finance the larger highway program.

The imposition of the taxes that are dedicated to the HTF, as well as the authority to place the taxes in the HTF and to expend from the HTF all have expiration dates which must be extended periodically. The 1956 Highway Revenue Act provided for the imposition of the taxes that support the HTF through June 30, 1972, and the transfer of such taxes and the payment of refunds through June 30, 1973. Expenditures from the HTF were authorized

through June 30, 1972. The life of the HTF has been extended several times by subsequent legislation, most recently by the TEA-21, which extended the imposition of taxes through September 30, 2005,⁶⁸ and the transfer of the taxes to the HTF and the payment of refunds through June 30, 2006. The TEA-21 authorized expenditures from the HTF through September 30, 2003.

User Taxes

The HTF was created as a user-supported fund. Simply, the revenues of the HTF were intended for financing highways, with the taxes dedicated to the HTF paid by the users of highways. This principle is still in effect, but the tax structure has changed since 1956. Major revisions occurred as a result of the Surface Transportation Assistance Act (STAA) of 1982 and the Deficit Reduction Act of 1984. Those acts increased the motor-fuel taxes for the first time since 1959. The 1982 STAA also established a special Mass Transit Account in the HTF to receive part of the motor-fuel tax.⁶⁹

Then, another increase of 5 cents per gallon (bringing the Federal gasoline tax to 14.1 cents per gallon) was enacted as part of the Omnibus Budget Reconciliation Act of 1990 (OBRA 90). That increase was effective December 1, 1990. The act also established a “first” for the HTF. One-half of the revenues derived from the 5-cent increase went to the General Fund of the Treasury for deficit reduction. Previously, virtually *all* revenues from Federal motor-fuel (and other highway-related Federal excise taxes) had been credited entirely to the HTF.⁷⁰ The General Fund portion of the tax was imposed on a temporary basis and was scheduled to expire on October 1, 1995.

Another fuel tax increase of 4.3 cents per gallon was enacted effective October 1, 1993, by the Omnibus Budget Reconciliation Act of 1993. The increase brought the gasoline tax to 18.4 cents per gallon and the entire amount of the increase was directed to the General Fund of the Treasury for deficit reduction. This tax increment has no expiration date. The legislation also provided that the temporary General Fund fuel tax imposed by OBRA 90 would be extended and that it would be directed to the HTF effective October 1, 1995, except in the case of certain alcohol fuels.⁷¹

The Taxpayer Relief Act of 1997 redirected the 4.3-cents General Fund tax to the HTF effective October 1, 1997. The TEA-21 extended the HTF taxes through September 30, 2005, thus extending the fiscal “life” of the HTF.

Table 4 shows the types of taxes placed in the HTF and the rates currently in effect. Appendix M shows the history of the highway fuel tax rates since the creation of the HTF.

Table 4.—User Fee Structure.

Tax Type	Tax Rate
Gasoline	18.4 cents per gallon
Diesel	24.4 cents per gallon
Gasohol (10% ethanol) *	13 cents per gallon
Special Fuels:	
General rate	18.4 cents per gallon
Liquefied petroleum gas	13.6 cents per gallon
Liquefied natural gas	11.9 cents per gallon
M85 (from natural gas)	9.25 cents per gallon
Compressed natural gas	48.54 cents per thousand cubic feet
Tires:	
0-40 pounds	No Tax
Over 40 pounds to 70 pounds	15¢ per pound in excess of 40
Over 70 pounds to 90 pounds	\$4.50 plus 30¢ per pound in excess of 70
Over 90 pounds	\$10.50 plus 50¢ per pound in excess of 90
Truck and Trailer Sales	12 percent of retailer's sales price for tractors and trucks over 33,000 pounds gross vehicle weight (GVW) and trailers over 26,000 pounds GVW
Heavy Vehicle Use	Annual tax: Trucks 55,000 pounds and over GVW, \$100 plus \$22 for each 1,000 pounds (or fraction thereof) in excess of 55,000 pounds (maximum tax of \$550)

* Other rates apply to gasohol blends containing less than 10 percent ethanol or blends made with methanol.

The HTF has an additional source of revenue. Since October 30, 1984, the proceeds from fines and penalties imposed for violation of motor carrier safety requirements are deposited in the Highway Account of the HTF.⁷²

Collection

Most of the excise taxes credited to the HTF are not collected by the Federal government directly from the consumer. They are, instead, paid to the Internal Revenue Service by the producer or importer of the taxable product (except in the cases of the tax on trucks and trailers, which is paid by the retailer, and the heavy vehicle use tax, which is paid by the heavy vehicle owner). As a result, most of the Federal fuel taxes come from a handful of States, those where major oil companies are headquartered, and most tire taxes are paid from Ohio, the home of the U.S. tire industry. Of course, these taxes become part of the price of the product and are ultimately paid by the highway user.

User taxes are deposited in the General Fund of the Treasury and the amounts equivalent to these taxes are then transferred on paper to the HTF. Transfers are made at least monthly on the basis of estimates by the Secretary of the Treasury and later adjusted on the basis of actual tax receipts.⁷³ Amounts in the HTF in excess of current expenditure requirements are invested in public debt securities. Until October 1, 1998, the securities were interest-bearing and interest from the securities was credited to the fund. Since that time, the HTF balance has been invested in non-interest-bearing securities.⁷⁴

Since there is considerable interest in the amount of contributions to the HTF made by each State, estimates are made of the amount of taxes paid by the highway users of each State on the basis of data reported by State motor-fuel tax agencies. Highway users in some States pay more in user taxes than those States receive back in Federal-aid highway apportionments and

Pay-as-You-Go Fund

allocations. In an effort to compensate for this, the TEA-21 included a provision, called the Minimum Guarantee, that distributes additional funds to the States. This provision is described in detail in the “Financing Procedures” section of this book.

Another important characteristic of the HTF is that it was set up as a pay-as-you-go fund. In other words, there must be enough money in the HTF to make reimbursements. For the Highway Account of the HTF, the control mechanism that ensures this is the Byrd Amendment.⁷⁵

Under the Byrd Amendment, as modified by the STAA of 1982, unfunded authorizations (unpaid commitments in excess of amounts available in the Highway Account of the HTF) at the end of the fiscal year in which the apportionment is to be made must be less than the revenues anticipated to be earned in the following 24 month period. For example, to determine the status of FY 1999, at the close of FY 1998 the Secretary of the Treasury must determine if the balance of the Highway Account of the HTF as of September 30, 1998, plus the anticipated income in FYs 1999, 2000, and 2001, will be greater than the sum of the authorizations to be distributed for FY 1999 and the authorizations distributed, but not paid, as of September 30, 1998. If there will be a shortfall in funds, then all Highway Account funded program apportionments for FY 1999 will be reduced proportionately.⁷⁶

In the HTF’s history, the Byrd Amendment has been triggered only once, resulting in the reduction in the Interstate System construction apportionments for FY 1961. No Byrd Amendment reductions are anticipated for the foreseeable future. The Mass Transit Account was subject to a similar test, known as the Rostenkowi test; the only difference was that the Rostenkowski test measured outstanding commitments against estimated income for 1 year instead of 2. With the enactment of the TEA-21, the Mass Transit Account is subject to the same 2-year test as the Highway Account. The tests are applied to each account separately.

Expenditures. As stated before, the HTF exists to support the highway, highway and motor carrier safety, intermodal and transit programs. Even though the programs do, for the most part, have contract authority, the cash to reimburse the States for the Federal share of project costs still must be released from the HTF by an appropriations act. In other words, the Federal government does not have the ability to pay the State without an appropriation of cash from the HTF. Any amounts that have been appropriated but not used during the year can be carried over for use in the next fiscal year. Conversely, legislation providing additional liquidating cash is enacted when the amounts appropriated in the annual DOT and Related Agencies Appropriations Act are insufficient.⁷⁷

Transfers. Taxes on gasoline and special fuels used in motorboats are dedicated to the Aquatic Resources Trust Fund with \$1 million of that amount annually transferred to the Land and Water Conservation Fund. Tax receipts from gasoline used in small engines, such as lawnmowers and chain saws are also dedicated to the Aquatic Resources Trust Fund. As such uses cannot be determined from the fuel tax returns filed by taxpayers (typically oil

companies), the funds are initially deposited in the HTF along with the highway fuel taxes. The Treasury Department estimates the portion of the taxes deposited in the HTF derived from such uses and transfers the tax receipts to the appropriate Trust Fund.⁷⁸

Refunds and credits. In some cases, the motor-fuel tax has already been paid by the producer/distributor or retailer on motor fuel that will ultimately be used by an exempt user or for an exempt purpose. In most such cases, the end user purchases fuel at a price that includes the tax and must apply for a refund of the tax. In other cases, namely sales of diesel fuel to State and local governments and for use on farms, the retailer (the ultimate vendor) sells the fuel to the end user at a price excluding the tax and applies for the refund. Refunds and credits amounting to \$804 million were paid from the HTF in FY 1998.

Balance of the Highway Trust Fund

The balance of the HTF has long been a point of controversy. Because of the nature of a reimbursable program like the FAHP, there will always be cash in the fund that is not needed for immediate use. It is important to understand that this is not necessarily excess cash but will be needed to reimburse the States as vouchers are submitted.

Perhaps a comparison of the HTF operation to a personal financial situation can help clarify this point. If a person has a checking account balance of \$500, that amount cannot be considered excess if he or she has at the same time outstanding monthly bills of \$1,000, but neither is the account in a deficit situation if he or she will receive \$1,200 in a paycheck at the end of the month.

The HTF operates in the same manner. Although there was a cash balance of \$16.5 billion in the Highway Account of the HTF at the close of FY 1998 (see Table 5), there were also, at the same time, unpaid commitments (authorizations already apportioned/allocated to the States) against the HTF totaling almost \$50 billion. Therefore, the \$16.5 billion balance was not excess cash.

Table 5.—Operation of the Highway Account of the Highway Trust Fund (Amounts in Millions of Dollars).

	Highway Account	Mass Transit Account	Total
Opening balance, 10/01/97	12,576	9,858	22,433
Tax receipts	23,969	3,658	27,627
Less:			
Transfers to other trust funds	172	23	195
Tax refunds	656	148	804
Net tax receipts	23,141	3,487	26,628
Interest	1,166	839	2,005
Expenditures	20,347	4,133	24,480
Closing balance, 9/30/98	16,536	10,051	26,586

If the highway revenues were to have stopped completely at the close of FY 1997, the debts (unpaid authorizations) would have exceeded the cash on hand by about \$31 billion. Since the highway program functions as a

reimbursable program, with cash outlays following obligations at a later date, this situation is quite proper.

The difference between commitments and income through the termination of the fund is the amount that truly reflects the status of the fund and must be considered when any new commitments (additional authorizations) are proposed. It also must be recognized that this status is based on revenue projections that can change from time to time. The projected commitments can also change, either by legislation authorizing additional funds or when programs, such as the Minimum Guarantee, exceed estimated authorizations.

Appendices

Appendix A: Glossary

Allocation. An administrative distribution of funds for programs that do not have statutory distribution formulas.

Apportionment. The distribution of funds as prescribed by a statutory formula.

Appropriated Budget Authority (ABA). A form of *Budget Authority* that requires both an authorization act *and* an appropriations act before any funds can be obligated.

Appropriations Act. Action of a legislative body that makes funds available for expenditure with specific limitations as to amount, purpose, and duration. In most cases, it permits money previously authorized to be obligated and payments made, but for the highway program operating under contract authority, the appropriations act specifies amounts of funds that Congress will make available for the fiscal year to liquidate obligations.

Authorization Act. Basic substantive legislation that establishes or continues Federal programs or agencies and establishes an upper limit on the amount of funds for the program(s). The current authorization act for surface transportation programs is the Transportation Equity Act for the 21st Century (TEA-21).

Budget Authority. Empowerment by Congress that allows Federal agencies to incur obligations that will result in the outlay of funds. This empowerment is generally in the form of appropriations. However, for most of the highway programs, it is in the form of *contract authority*.

Budget Resolution. A concurrent resolution passed by Congress presenting the Congressional Budget for each of the succeeding 5 years. A concurrent resolution does not require the signature of the President.

Contract Authority (CA). A form of *Budget Authority* that permits obligations to be made in advance of appropriations. Most of the programs under the *Federal-Aid Highway Program* operate under Contract Authority.

Expenditures. See *Outlays*.

Federal-aid Highway Program (FAHP). An umbrella term for most of the Federal programs providing highway funds to the States. This is not a term defined in law. As used in this document, FAHP is comprised of those programs authorized in Titles I and V of TEA-21 that are administered by FHWA.

Federal Highway Administration (FHWA). The Federal agency within the U.S. Department of Transportation responsible for administering the Federal-aid Highway Program and the Motor Carrier Safety Program.

Appendix A (continued)

Firewall. A budgetary device separating certain Federal spending within the discretionary spending category from other spending in the discretionary category. Spending for programs with firewalls may not be reduced in order to increase spending for other discretionary programs. The TEA-21 establishes, for fiscal years 1999-2003, a firewall to protect highway and highway safety spending and a firewall to protect transit spending.

Fiscal Year (FY). The accounting period for the budget. The Federal fiscal year is from October 1 until September 30. The fiscal year is designated by the calendar year in which it ends. For example, FY 1999 runs from October 1, 1998 until September 30, 1999.

Guaranteed Funding. Highway, highway safety, and transit spending protected by *firewalls*, plus highway funds that are classified as mandatory spending, i.e., exempt from the *obligation limitation*.

Highway Trust Fund (HTF). An account established by law to hold Federal highway-user taxes that are dedicated for highway and transit related purposes. The HTF has two accounts: the Highway Account, and the Mass Transit Account.

Obligational Authority (OA). The total amount of funds that may be obligated in a year. For the Federal-aid Highway Program this is comprised of the *obligation limitation* amount plus amounts for programs exempt from the limitation.

Obligation Ceiling. Identical to *obligation limitation*.

Obligation Limitation. A restriction, or “ceiling” on the amount of Federal assistance that may be promised (obligated) during a specified time period. This is a statutory budgetary control that does not affect the apportionment or allocation of funds. Rather, it controls the rate at which these funds may be used.

Obligation. The Federal government’s legal commitment (promise) to pay or reimburse the States or other entities for the Federal share of a project’s eligible costs.

Outlays. Actual cash (or electronic transfer) payments made to the States or other entities. Outlays are provided as reimbursement for the Federal share for approved highway program activities.

Penalty. An action taken by Federal agencies when the grant recipient does not comply with provisions of the law. For the highway program the imposition of penalties, which are defined in law, may prevent a State from using or receiving its full apportionment or may force a transfer from one program to another.

Appendix A (continued)

President’s Budget. A document submitted annually (due by the first Monday in February) by the President to Congress. It sets forth the Administration’s recommendations for the Federal budget for the upcoming fiscal year.

Revenue Aligned Budget Authority (RABA). The adjustment in funding made annually to the highway program, beginning in FY 2000, as a result of the adjustment in the *firewall* level for highways. The firewall level is adjusted to reflect revised receipt estimates for the Highway Account of the Highway Trust Fund. Then, adjustments—equal to the firewall adjustment—are made to Federal-aid highway authorizations and obligation limitation for the fiscal year.

State. As defined in chapter 1 of Title 23 of the United States Code, any of the 50 States, comprising the United States, plus the District of Columbia and the Commonwealth of Puerto Rico. However, for some purposes (e.g., highway safety programs under 23 U.S.C. 402), the term may also include the Territories (the U.S. Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands) and the Secretary of the Interior (for Indian Reservations). For the purposes of apportioning funds under sections 104, 105, 144, and 206 of Title 23, United States Code, the term “State” is defined by section 1103(n) of the TEA-21 to mean any of the 50 States and the District of Columbia.

For additional definitions, see *A Glossary of Terms Used in the Federal Budget Process*, Government Accounting Office, January 1993. Also see Section 101 of Title 23, U.S.C.

Appendix B: Chronology—Passage of the TEA-21

1997

- 3/12** – President Clinton unveils **NEXTEA**, the National Economic Crossroads Transportation Efficiency Act of 1997, a 6-year surface transportation bill providing \$29 billion/year for highways, transit, safety, and railroads.
- 5/2** – Congress and the Clinton Administration agree to a **5-year budget resolution**. Permissible annual average budget authority for surface transportation is \$29.5 billion.
- 5/21** – The House narrowly defeats House Transportation and Infrastructure (T&I) Committee Chairman Shuster’s (R-PA) amendment to raise transportation outlays under the budget by \$12 billion annually. The amendment, voted down 216-214, provided a 0.39% across-the-board cut in other discretionary spending to gain the extra funds for transportation.
- 5/22** – The Senate votes 51-49 to table a budget amendment offered by Senators Warner (R-VA) and Baucus (D-MT) to provide funding increases similar to the Shuster amendment. This amendment did not offer offsets, however.
- 6/5** – House and Senate pass the 1998 balanced budget resolution (H. Con. Res. 84).
- 8/5** – President Clinton signs H.R. 2014, the **Taxpayer Relief Act** (P.L. 105-34), and H.R. 2015, the **Balanced Budget Act** (P.L. 105-33), the two budget reconciliation bills implementing the budget resolution. H.R. 2014 redirects the 4.3 cent Federal motor fuel tax, which had gone into the General Fund, to the Highway Trust Fund effective 10/1/97, but makes no provision to actually spend the extra income.
- 9/4** – Chairman Shuster, and Representatives Oberstar (D-MN), Petri (R-WI), and Rahall (D-WV) introduce the House T&I Committee bill—H.R. 2400, the Building Efficient Surface Transportation and Equity Act, known as **BESTE A**. The 3-year highway, highway safety and transit bill provides budget authority of \$34.4 billion/year and is not within the budget agreement. The Subcommittee on Surface Transportation reports the bill out on 9/10.
- 9/12** – Senators Warner and Chafee (R-RI) introduce S. 1173, the Senate Environment and Public Works Committee bill. The 6-year highway and highway safety bill, known as **ISTEA II**, provides \$24.6 billion/year and is within budget targets. The Committee reports the bill out on 10/1.

Appendix B (continued)

9/24 – The House T&I Committee marks up H.R. 2400, extends it to 6 years, but does not report it out of committee. House leadership will not consider the bill since it is not consistent with the budget agreement. The T&I Committee also marks up and reports out H.R. 2516, a 6-month, short-term extension of the ISTEA.

10/1 – The House passes H.R. 2516, the short term extension of ISTEA.

10/8 – The Senate begins consideration of S. 1173. Campaign finance reform issues stymie debate, and on 10/28 Senate Majority Leader Lott (R-MS) withdraws the bill from further consideration. While S. 1173 is on the floor, Senators Byrd (D-WV) and Gramm (R-TX) introduce an amendment to allow a total of \$30.5 billion in additional authorizations for the 1999-2003 period based on “spending savings” in the budget.

11/7 – Senate passes S. 1454, a short-term extension bill for highways, safety and transit.

11/10 – After agreeing to amendments offered by Chairman Shuster to the short term bill, the Senate passes S. 1519, the “Surface Transportation Extension Act of 1997.” The House passes S. 1519 on 11/12.

12/1 – President signs the **Surface Transportation Extension Act of 1997** into law (P.L. 105-130).

1998

2/2 – Senator Byrd calls for the Senate to take up debate on transportation reauthorization as it had pledged to do upon reconvening on 1/9; speaks every day on the subject.

2/12 – House Speaker Gingrich (R-GA) appoints task force to find ways to provide additional highway funding. Chairman Shuster had pressed to use \$18 billion of projected budget “surplus” to increase highway and transit funding level to \$30 billion annually, and will report H.R. 2400 out of Committee only after debate on FY 1999 Budget Resolution determines available funding.

2/25 – Senate Majority Leader Lott meets with Senators Byrd, Warner, Baucus, Gramm, Chafee, Domenici (R-NM), D’Amato (R-NY), and Daschle (D-SD) to discuss increasing funding by \$18 billion. Debate on S. 1173 begins 2/26.

Appendix B (continued)

- 2/27** – Senators Byrd and Gramm propose an amendment which would provide \$30 billion in contract authority on the condition that budget surpluses are realized; had proposed on 2/5 that highways and transit be able to use revenue from 4.3 cents of Federal motor fuel tax redirected to the HTF by the Taxpayer Relief Act (see 8/5/97). The Senate agrees to add \$25.8 billion over 5 years to S. 1173; budget offsets are not identified.
- 3/12** – The Senate votes 96-4 to approve S. 1173 at \$36.2 billion average annual funding level.
- 3/24** – House T&I Committee unanimously reports out H.R. 2400, providing \$36.6 billion annually. No offsets are identified but are to be developed in conference committee.
- 4/1** – House votes 337-80 to approve H.R. 2400, which exceeds budgetary caps by \$26 billion.
- 4/22** – Conference Committee convenes. House T&I Chairman Shuster is named Chairman of the Conference Committee.
- 4/30** – Senate Majority Leader Lott and House Speaker Gingrich meet with budget leaders to discuss finding \$25-30 billion in offsets necessary to fund either S. 1173 or H.R. 2400.
- 5/1** – Obligations for Federal-aid highways cease, in accord with short-term bill provisions. Conferees refuse to consider another short-term bill.
- 5/18** – Chairmen Shuster and Chafee finalize a conference agreement which includes budgetary firewalls, guaranteed spending and \$23.4 billion in offset savings.
- 5/22** – Both the House (297-86) and the Senate (88-5) approve the conference report on H.R. 2400, now titled the **Transportation Equity Act for the 21st Century**, or TEA-21.
- 6/3** – House approves technical corrections to H.R. 2400; Senators, concerned with veterans benefit offset, stall passage of technical corrections in the Senate.
- 6/9** – President Clinton signs **TEA-21 (P.L. 105-178)** into law.
- 6/25** – House (402-8) approves TEA-21 technical corrections as part of an IRS restructuring bill, H.R. 2676.
- 7/9** – Senate (96-2) approves TEA-21 technical corrections as part of an IRS restructuring bill, H.R. 2676.

Appendix B (continued)

7/22 – President Clinton signs the IRS Restructuring Bill (**P.L. 105-206**) into law. Title IX of the legislation contains the TEA-21 technical corrections, and is titled the **TEA 21 Restoration Act**.

Appendix C: Authorizations

(Amounts in Millions of Dollars)

PROGRAM	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	TOTAL
Title I — Federal-Aid Highways							
Interstate Maintenance Program	3,427.341	3,957.103	3,994.524	4,073.322	4,139.630	4,217.635	23,809.555
National Highway System	4,112.480	4,748.523	4,793.429	4,887.986	4,967.556	5,061.162	28,571.136
Highway Bridge Replacement and Rehabilitation Program	2,941.454	3,395.354	3,427.472	3,495.104	3,552.016	3,618.966	20,430.366
Surface Transportation Program	4,797.620	5,539.944	5,592.333	5,702.651	5,795.482	5,904.689	33,332.719
Congestion Mitigation/Air Quality Improvement Program	1,192.619	1,345.415	1,358.138	1,384.930	1,407.474	1,433.996	8,122.572
Appalachian Development Highway System	0.000	450.000	450.000	450.000	450.000	450.000	2,250.000
Recreational Trails Program	30.000	40.000	50.000	50.000	50.000	50.000	270.000
Federal Lands Highways Program:	536.000	706.000	706.000	706.000	706.000	706.000	4,066.000
Indian Reservation Roads	(225.000)	(275.000)	(275.000)	(275.000)	(275.000)	(275.000)	(1,600.000)
Public Lands Highways	(196.000)	(246.000)	(246.000)	(246.000)	(246.000)	(246.000)	(1,426.000)
Park Roads and Parkways	(115.000)	(165.000)	(165.000)	(165.000)	(165.000)	(165.000)	(940.000)
Refuge Roads	0.000	(20.000)	(20.000)	(20.000)	(20.000)	(20.000)	(100.000)
National Corridor Planning and Development and Coordinated Border Infrastructure Program	0.000	140.000	140.000	140.000	140.000	140.000	700.000
Construction of Ferry Boats and Ferry Terminal Facilities	30.000	38.000	38.000	38.000	38.000	38.000	220.000
National Scenic Byways Program	23.500	23.500	24.500	24.500	25.500	26.500	148.000
Value Pricing Pilot Program	0.000	7.000	11.000	11.000	11.000	11.000	51.000
High Priority Projects Program	1,029.584	1,403.978	1,684.773	1,684.773	1,778.372	1,778.372	9,359.850
Highway Use Tax Evasion Projects	10.000	5.000	5.000	5.000	5.000	5.000	35.000
Puerto Rico Highway Program	110.000	110.000	110.000	110.000	110.000	110.000	660.000
Rail-Hwy Crossing Hazard Elimination in High Speed Rail Corridors (GF)	0.000	15.000	15.000	15.000	15.000	15.000	75.000
* Minimum Guarantee	5,466.570	5,742.720	5,780.889	5,903.732	5,995.364	6,121.872	35,011.146
Revenue Aligned Budget Authority	0.000	0.000	ssambn	ssambn	ssambn	ssambn	0.000
Woodrow Wilson Memorial Bridge	25.000	75.000	150.000	200.000	225.000	225.000	900.000
Miscellaneous Studies (HTF & GF)	13.588	159.231	44.063	25.000	18.800	17.300	277.981
MAGLEV Transportation Technology Deployment Program	0.000	15.000	20.000	25.000	0.000	0.000	60.000
Low-Speed MAGLEV Project (STA)	0.000	0.000	ssambn	ssambn	ssambn	ssambn	0.000
MAGLEV Transp. Technology Deployment Program (STA)	0.000	0.000	200.000	200.000	250.000	300.000	950.000
Transp. and Community and System Preservation Pilot Program	0.000	20.000	25.000	25.000	25.000	25.000	120.000
Transportation Assistance for Olympic Cities (STA)	ssambn	ssambn	ssambn	ssambn	ssambn	ssambn	0.000
National Historic Covered Bridge Preservation (GF)	0.000	10.000	10.000	10.000	10.000	10.000	50.000
Safety Incentives for Use of Seat Belts	0.000	82.000	92.000	102.000	112.000	112.000	500.000
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	55.000	65.000	80.000	90.000	100.000	110.000	500.000
Transportation Infrastructure Finance and Innovation	0.000	80.000	90.000	110.000	120.000	130.000	530.000
Total — Title I	23,800.755	28,173.767	28,892.120	29,468.997	30,047.194	30,617.491	171,000.325

Appendix C (continued)

PROGRAM	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	TOTAL
Title II — Highway Safety							
Child Passenger Protection Education Grants (GF)	0.000	0.000	7.500	7.500	0.000	0.000	15.000
Evaluation of Motor Vehicle Driving Record Access (GF)	0.000	0.250	0.000	0.000	0.000	0.000	0.250
Highway Safety Programs	149.700	150.000	152.800	155.000	160.000	165.000	932.500
Highway Safety R&D (STA)	72.000	0.000	0.000	0.000	0.000	0.000	72.000
Highway Safety R&D	0.000	72.000	72.000	72.000	72.000	72.000	360.000
Occupant Protection Incentive Grants	0.000	10.000	10.000	13.000	15.000	20.000	68.000
Alcohol-Impaired Driving Counter-measures Incentive Grants	34.500	35.000	36.000	36.000	38.000	40.000	219.500
State Highway Safety Data Grants	0.000	5.000	8.000	9.000	10.000	0.000	32.000
National Driver Register (STA)	2.000	2.000	2.000	2.000	2.000	2.000	12.000
Total — Title II	258.200	274.250	288.300	294.500	297.000	299.000	1,711.250
Title III — Federal Transit Administration Programs							
Formula Grants	2,260.000	2,280.000	2,478.400	2,676.000	2,873.600	3,071.200	15,639.200
Formula Grants (GF)	240.000	720.000	769.600	819.000	868.400	917.800	4,334.800
Alaska Railroad	(4.850)	(4.850)	(4.850)	(4.850)	(4.850)	(4.850)	(29.100)
Clean Fuels	0.000	(50.000)	(50.000)	(50.000)	(50.000)	(50.000)	(250.000)
Urbanized Area Formula Grants	(2,298.853)	(2,698.191)	(2,922.890)	(3,147.316)	(3,370.602)	(3,595.940)	(18,033.791)
Formula Grants for Non-Urbanized Area	(134.078)	(177.924)	(193.613)	(209.283)	(224.874)	(240.608)	(1,180.379)
Formula Grants for Special Needs	(62.219)	(67.036)	(72.947)	(78.851)	(84.725)	(90.653)	(456.430)
Rural Transp. Accessibility Incentive Program—Intercity, Fixed-Route	0.000	(2.000)	(2.000)	(3.000)	(5.250)	(5.250)	(17.500)
Rural Transp. Accessibility Incentive Program—Other	0.000	0.000	(1.700)	(1.700)	(1.700)	(1.700)	(6.800)
Capital Program Grants and Loans	2,000.000	1,805.600	1,960.800	2,116.800	2,272.800	2,428.800	12,584.800
Capital Pgm. Grants and Loans (GF)	0.000	1,051.400	1,100.200	1,149.200	1,198.200	1,237.200	5,736.200
Bus and Bus Related Facilities	(400.000)	(551.400)	(590.200)	(629.200)	(668.200)	(707.200)	(3,546.200)
Fixed Guideway Modernization	(800.000)	(1,002.800)	(1,080.400)	(1,158.400)	(1,236.400)	(1,314.400)	(6,592.400)
New Starts	(800.000)	(1,302.800)	(1,390.400)	(1,478.400)	(1,566.400)	(1,644.400)	(8,182.400)
Transit Planning	0.000	42.200	48.400	50.200	53.800	58.600	253.200
Transit Planning (GF)	47.750	42.800	44.600	46.800	48.200	50.400	280.550
Transit Research	0.000	36.000	37.600	37.600	39.200	39.200	189.600
Transit Research (GF)	44.250	40.000	40.400	42.400	42.800	43.800	253.650
National Planning and Research	(32.750)	(58.500)	(60.500)	(62.500)	(64.500)	(65.500)	(344.250)
Rural Transit Assistance	(4.500)	(5.250)	(5.250)	(5.250)	(5.250)	(5.250)	(30.750)
Transit Cooperative Research	(4.000)	(8.250)	(8.250)	(8.250)	(8.250)	(8.250)	(45.250)
National Transit Institute	(3.000)	(4.000)	(4.000)	(4.000)	(4.000)	(4.000)	(23.000)
Clean Fuels Formula Grant Pgm. (GF)	0.000	100.000	100.000	100.000	100.000	100.000	500.000
University Transportation Research	0.000	4.800	4.800	4.800	4.800	4.800	24.000
University Transp. Research (GF)	6.000	1.200	1.200	1.200	1.200	1.200	12.000
Administration	0.000	43.200	48.000	51.200	53.600	58.400	254.400
Administration (GF)	45.738	23.800	26.000	28.800	30.400	32.600	187.338
Job Access Grants	0.000	40.000	60.000	80.000	100.000	120.000	400.000
Job Access Grants (GF)	0.000	110.000	90.000	70.000	50.000	30.000	350.000
Total — Title III	4,643.738	6,341.000	6,810.000	7,274.000	7,737.000	8,194.000	40,999.738

Appendix C (continued)

PROGRAM	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	TOTAL
Title IV — Motor Carrier Safety							
Motor Carrier Safety Grants	79.000	90.000	95.000	100.000	105.000	110.000	579.000
Information Systems	6.000	10.000	10.000	12.000	12.000	15.000	65.000
School Transp. Safety Study (GF)	0.000	0.000	0.200	0.200	0.000	0.000	0.400
Total — Title IV	85.000	100.000	105.200	112.200	117.000	125.000	644.400
Title V — Transportation Research							
Surface Transportation Research	96.000	97.000	97.000	98.000	101.000	103.000	592.000
Technology Deployment Program	35.000	35.000	40.000	45.000	45.000	50.000	250.000
Training and Education	14.000	15.000	16.000	18.000	19.000	20.000	102.000
Bureau of Transportation Statistics	31.000	31.000	31.000	31.000	31.000	31.000	186.000
ITS Standards, Research, Operational Tests, and Development	95.000	95.000	98.200	100.000	105.000	110.000	603.200
ITS Deployment	101.000	105.000	113.000	118.000	120.000	122.000	679.000
University Transportation Research	25.650	25.650	27.250	27.250	26.500	26.500	158.800
Advanced Vehicle Technologies Program (GF)	0.000	50.000	50.000	50.000	50.000	50.000	250.000
Commercial Remote Sensing Products and Spatial Information Technologies (GF)	0.000	10.000	10.000	10.000	10.000	10.000	50.000
Drexel University Intelligent Infrastructure Institute (GF)	10.000	0.000	0.000	0.000	0.000	0.000	10.000
Total — Title V	407.650	463.650	482.450	497.250	507.500	522.500	2,881.000
Title VII — Miscellaneous							
Motor Vehicle Safety Activities (GF)	0.000	81.200	81.200	81.200	0.000	0.000	243.600
Motor Vehicle Infor. Activities (GF)	0.000	6.200	6.200	6.200	0.000	0.000	18.600
High-Speed Rail (GF)	35.000	35.000	35.000	35.000	0.000	0.000	140.000
Light Density Rail Line Projects (GF)	17.500	17.500	17.500	17.500	17.500	17.500	105.000
Alaska Railroad (GF)	5.250	5.250	5.250	5.250	5.250	5.250	31.500
One-call Notification Program—Grants to States (GF)	0.000	0.000	1.000	5.000	0.000	0.000	6.000
One-call Notification Program—Administration (GF)	ssambn	ssambn	ssambn	ssambn	ssambn	ssambn	0.000
Total — Title VII	57.750	145.150	146.150	150.150	22.750	22.750	544.700
GRAND TOTAL — TEA-21	29,253.093	35,497.817	36,724.220	37,797.097	38,728.444	39,780.741	217,781.413

Amounts in parentheses are non-additive.

HTF = "Highway Trust Fund."

GF = "General Fund."

STA = "subject to appropriation."

ssambn = "Such sums as may be necessary."

* Amounts shown for the Minimum Guarantee program for fiscal years 1999-2003 are estimates as of July 1998.

Programs under Titles I, II, IV, and V are funded from the Highway Account of the Highway Trust Fund unless otherwise noted.

Programs under Title III are funded from the Mass Transit Account of the Highway Trust Fund unless otherwise noted.

Programs under Title VII are funded from the General Fund of the Treasury.

Appendix D: Deductions

Percentage Deductions

TAKEDOWN FROM	FOR	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Interstate Maintenance Program	Administration	1.45	1.5	*	*	*	*
	Metropolitan Planning	1.0	1.0	1.0	1.0	1.0	1.0
National Highway System	Administration	1.45	1.5	*	*	*	*
	Metropolitan Planning	1.0	1.0	1.0	1.0	1.0	1.0
Surface Transportation Program	Administration	1.45	1.5	*	*	*	*
	Metropolitan Planning	1.0	1.0	1.0	1.0	1.0	1.0
Highway Bridge Replacement and Rehabilitation Program	Administration	1.45	1.5	*	*	*	*
	Metropolitan Planning	1.0	1.0	1.0	1.0	1.0	1.0
Congestion Mitigation and Air Quality Improvement Program	Administration	1.45	1.5	*	*	*	*
	Metropolitan Planning	1.0	1.0	1.0	1.0	1.0	1.0
Minimum Guarantee	Administration	1.45	1.5	*	*	*	*
Appalachian Development Highway System	Administration	1.45	1.5	*	*	*	*
Federal Lands Highways Program	Administration	1.45	1.5	*	*	*	*
Recreational Trails Program	Administration	1.45	1.5	*	*	*	*

* To be determined each year to a maximum of 1.5 percent.

Dollar Deductions

(Amounts in Millions of Dollars)

DEDUCTION FROM	FOR	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Interstate Maintenance Program	Interstate Maintenance Discretionary	50.000	100.000	100.000	100.000	100.000	100.000
National Highway System	Territorial Highways	36.400	36.400	36.400	36.400	36.400	36.400
	Alaska Highway	18.800	18.800	18.800	18.800	18.800	-----
Surface Transportation Program	Operation Lifesaver	0.500	0.500	0.500	0.500	0.500	0.500
	Rail-Highway Crossings	5.250	5.250	5.250	5.250	5.250	5.250
	Highway Skill Training	10.000	10.000	10.000	10.000	10.000	10.000
	On-the-Job Training Supportive Services	10.000	10.000	10.000	10.000	10.000	10.000
Highway Bridge Replacement and Rehabilitation Program	Bridge Discretionary	25.000	100.000	100.000	100.000	100.000	100.000
Congestion Mitigation and Air Quality Improvement Program	CMAQ Effectiveness Study	-----	0.500	0.500	-----	-----	-----
Federal Lands Highways Program	Indian Reservation Roads Bridges	13.000	13.000	13.000	13.000	13.000	13.000

Appendix E: Apportionment Formulas

PROGRAM	FACTORS	WT.	STATUTE ¹	MINIMUM APPORTIONMENT
Interstate Maintenance Program	Interstate System lane miles	33a %	104(b)(4)	½ percent of Interstate Maintenance and National Highway System apportionments combined
	Vehicle miles traveled on the Interstate System	33a %		
	Annual contributions to the Highway Account of the Highway Trust Fund attributable to commercial vehicles	33a %		
National Highway System	Lane miles on principal arterial routes (excluding the Interstate System)	25%	104(b)(1)	½ percent of Interstate Maintenance and National Highway System apportionments combined
	Vehicle miles traveled on principal arterial routes (excluding the Interstate System)	35%		
	Diesel fuel used on highways	30%		
	Total lane miles on principal arterial highways divided by the State's total population	10%		
Surface Transportation Program	Total lane miles of Federal-aid highways	25%	104(b)(3)	½ percent
	Total vehicle miles traveled on Federal-aid highways	40%		
	Estimated tax payments attributable to highway users paid into the Highway Account of the Highway Trust Fund	35%		
Highway Bridge Replacement and Rehabilitation Program	Relative share of total cost to repair or replace deficient highway bridges	100%	144(e)	¼ percent (10 percent maximum)
Congestion Mitigation and Air Quality Improvement Program	Weighted non-attainment and maintenance area population	100%	104(b)(2)	½ percent
Recreational Trails Program	Equal shares to each eligible State	50%	104(h)	None
	Nonhighway recreational fuel use during the preceding year	50%		
Metropolitan Planning	Urbanized area population ²	100%	104(f)(2)	½ percent
Minimum Guarantee	Specific share specified in law of the aggregate apportionments for Interstate Maintenance, National Highway System, Bridge, Congestion Mitigation, Surface Transportation Program, Metropolitan Planning, Recreational Trails, Appalachian Development Highway System, and Minimum Guarantee and allocations for High Priority Projects adjusted to ensure that each State's share of apportionments for the specified programs is at least 90.5 percent of its percentage contributions to the Highway Account of the Highway Trust Fund. The shares specified in law are increased for States falling below the 90.5 level and the shares of the remaining States are decreased so that the shares continue to total 100 percent.	100%	105	\$1 million

¹ Denotes appropriate section in Title 23, U.S.C.

² Usually places of 50,000 or more persons. Definition contained in 23 U.S.C. 101(a).

Appendix F: Penalties

TYPE/STATUTE	DESCRIPTION	PENALTY
Vehicle Weight Limitations— Interstate System 23 U.S.C. 127(a)	States must permit a minimum and maximum of 20,000 pound single axle, 34,000 pound tandem axle, and 80,000 pound gross weight of combination (5-axes or more) vehicles to operate on the Interstate System. Maximum weight cannot exceed allowable under bridge formula. Grandfather rights create State-specific exceptions to all limits.	Withholding of National Highway System (NHS) apportionments. If not restored during availability period, the apportionment lapses.
Enforcement of Vehicle Size and Weight Laws 23 U.S.C. 141(a)&(b)	Each State must certify that it is enforcing all State laws respecting maximum vehicle size and weights permitted on the Federal-aid primary system, the Federal-aid urban system, and the Federal-aid secondary system, including the Interstate System.	Withholding of 10 percent of the apportionments for Interstate Maintenance (IM), NHS, Surface Transportation Program (STP), Congestion Mitigation and Air Quality (CMAQ), and Recreational Trails programs. Apportionments are restored if enforcement is shown to be acceptable within 1 year; otherwise, reapportioned to all other eligible States.
Registration—Proof of Heavy Vehicle Use Tax Payment 23 U.S.C. 141(c)	States must require proof of payment of Federal heavy vehicle use tax prior to registering heavy vehicles subject to the use tax.	Withholding of up to 25 percent of the apportionments for the IM program. The withheld apportionment is reapportioned to the other States using 23 U.S.C. 104(b)(4), i.e., the IM formula.
Control of Outdoor Advertising 23 U.S.C. 131	States must provide for effective control of outdoor advertising signs along the Interstate System, the primary system as it existed on June 1, 1991, and any highway not on such system but on the NHS. Effective control has been extended to include prohibiting the erection of new off-premise signs along any highway designated as a scenic byway on these systems.	Withholding of 10 percent of the apportionments for IM, NHS, STP, CMAQ, and Recreational Trails. The withheld apportionment is reapportioned to the other States. The Secretary may suspend application of this penalty if deemed to be in the public interest.
Control of Junkyards 23 U.S.C. 136	States must provide for effective control of the establishment, use, and maintenance of junkyards adjacent to the Interstate and primary systems.	Withholding of 10 percent of the apportionments for IM, NHS, STP, CMAQ, and Recreational Trails. The withheld apportionment is reapportioned to the other States. The Secretary may suspend application of this penalty if deemed to be in the public interest.
Maintenance 23 U.S.C. 116	States must properly maintain or cause to be maintained any project constructed under the provisions of the Federal-aid Highway Program.	Cessation of project approvals for all types of projects in the State highway district, municipality, county, and other subdivisions of the State or the entire State.
Clean Air Act Compliance 1990 Clean Air Act Amendments 42 U.S.C. 7509	States are subject to State Implementation Plan (SIP) related sanctions. States must submit and implement all provisions of a complete, adequate SIP that provides for attainment of air quality standards in accordance with intermediate and final deadlines specified in the Clean Air Act.	Cessation of project approvals within the non-attainment area; sanctions may be expanded to cover the entire State under certain circumstances at the discretion of the Environmental Protection Agency (EPA) Administrator. Penalty applies for failure to submit a SIP, or other related provisions; EPA disapproval of a SIP; and for failure to implement the SIP. Some projects are exempt from sanctions (i.e., seven congressionally authorized activities that discourage single occupancy vehicles (SOV); safety projects whose principle purpose is to improve safety by significantly reducing or avoiding accidents; and projects which EPA finds will improve air quality and not encourage SOV).

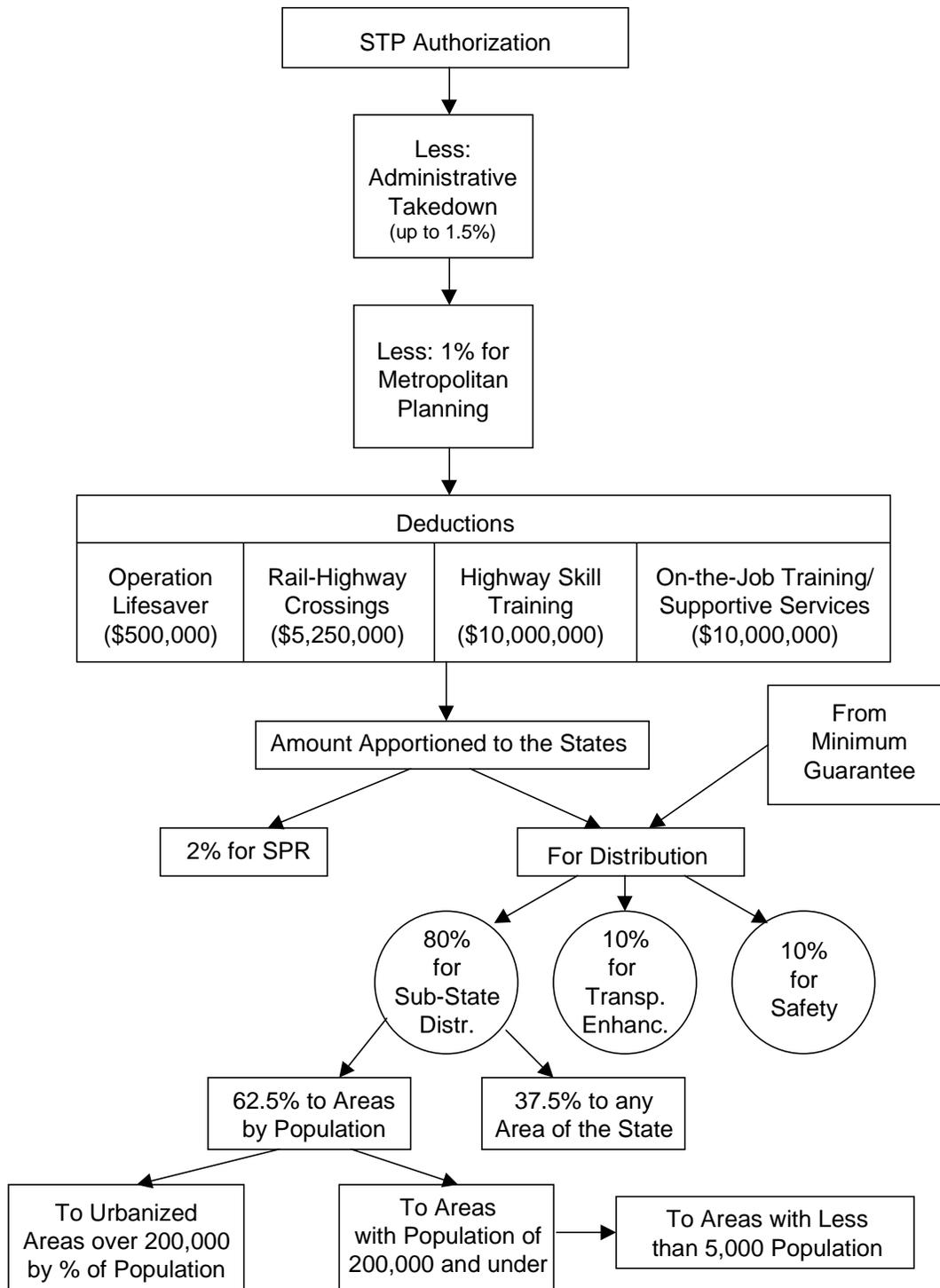
Appendix F (continued)

TYPE/STATUTE	DESCRIPTION	PENALTY
Air Quality Conformity 1990 Clean Air Act Amendments 42 U.S.C. 7509	No transportation plan, program, or project may be approved, accepted, or funded unless it has been found to conform to an applicable SIP by the metropolitan planning organization and the DOT. This means a well-coordinated FHWA/FTA finding, based on technical analysis of transportation and emissions models.	Lack of a conformity determination on an area's transportation plan or transportation improvement program will prevent the expenditure of FHWA and FTA funds on <u>any</u> activities, with the exception of certain exempt categories. Such a penalty would apply to the entire nonattainment area. Further, if the reason for nonconformity is not implementing transportation control measures, it could lead to the imposition of highway sanctions on a statewide basis.
National Minimum Drinking Age 23 U.S.C. 158	States must have laws that prohibit the purchase or public possession of any alcoholic beverage by a person who is less than 21 years of age.	Withholding of 10 percent of the apportionments for IM, NHS, and STP. Any funds withheld lapse.
Commercial Driver's License Commercial Motor Vehicle Safety Act of 1986, (P.L. 99-570, Section 12011, as amended)	States must be in compliance with minimum Federal standards for licensing, reporting, and penalties.	Withholding of 5 percent of the apportionments for IM, NHS and STP for first noncompliance; 10 percent thereafter. For funds withheld, there is no reserve period; that is, they lapse immediately, except IM funds, which are made available to the other States through the Interstate Discretionary program.
Drug Offenders 23 U.S.C. 159	State must certify that it either: 1) has a law that requires the revocation or suspension of drivers' licenses for at least 6 months (or delay in the issuance of a license) for those convicted of any violation of the Controlled Substances Act or any drug offense or 2) has a statement by the Governor opposing enactment or enforcement of such a law and a resolution by the State legislature expressing opposition to such law.	Withholding of 10 percent of the apportionments for IM, NHS, and STP. Any funds withheld lapse.
Metropolitan Planning 23 U.S.C. 134(i)(5)	Metropolitan planning organizations (MPOs) in Transportation Management Areas must be certified at least every 3 years by the Secretary of Transportation to be carrying out the required planning process in accordance with applicable provisions of Federal law.	If an MPO is not certified, the Secretary may withhold up to 20% of the apportioned funds under Title 23 and Chapter 53 of Title 49 attributed to the relevant metropolitan area. Funds are restored when the MPO is certified.
Use of Safety Belts 23 U.S.C. 153(h)	State must have a law that makes it unlawful to operate a passenger vehicle if any front seat occupant (other than a child secured in a child restraint system) is not properly wearing a seat belt.	If a State does not have such a law in effect, the Secretary will transfer 3 percent of the apportionments for NHS, STP, and CMAQ to the Section 402 safety program.
Surface Transportation Program (STP) 23 U.S.C. 133	State must comply with all provisions of law relating to the STP.	If a State fails to take corrective action within 60 days after being notified by the Secretary of noncompliance, future STP apportionments will be withheld until corrective action has been taken.
Zero Tolerance Blood Alcohol Concentration for Minors 23 U.S.C. 161	State must enact and enforce a law that considers any individual under 21 years who has a blood alcohol concentration of 0.02 or above while operating a motor vehicle to be driving while intoxicated or driving under the influence of alcohol.	If a State does not have such a law in effect by October 1, 1998, the Secretary will withhold 5 percent of NHS, STP, and IM apportionments. If a State does not have such a law in effect by October 1, 1999, the Secretary will withhold 10 percent of NHS, STP, and IM apportionments each fiscal year thereafter. Funds withheld before September 30, 2000, remain available for 3 fiscal years. Funds withheld after September 30, 2000, lapse immediately.

Appendix F (continued)

TYPE/STATUTE	DESCRIPTION	PENALTY
Open Container Requirements 23 U.S.C. 154	State must enact or have and enforce a law prohibiting the possession of open alcoholic beverage containers or the consumption of any alcoholic beverage in the passenger area of a motor vehicle. For motor vehicles designed to transport many passengers (such as for compensated transportation or in the living area of a mobile home), this requirement is considered satisfied if the State has a law prohibiting the possession of open alcoholic beverage containers by the driver (but not by a passenger).	<p>For FY 2001 and FY 2002, effective the first day of the fiscal year, a State that has either not enacted or is not enforcing such a provision will have 1½ percent of its NHS, STP, and IM apportionments and associated obligation authority transferred to the State's Section 402 safety program for use for alcohol-impaired driving countermeasures, for enforcement of impaired or intoxicated driving laws, or for hazard elimination activities, at the State's option.</p> <p>For FY 2003 and afterwards, effective the first day of the fiscal year, a State that has either not enacted or is not enforcing such a provision will have 3 percent of its NHS, STP, and IM apportionments and associated obligation authority transferred to the State's Section 402 apportionment for use for alcohol-impaired driving countermeasures, for enforcement of impaired or intoxicated driving laws, or for hazard elimination activities, at the State's option.</p>
Repeat Offenders 23 U.S.C. 164	State must enact and enforce a law that provides that any individual convicted of a second or subsequent offense for driving under the influence or while intoxicated shall: a) have his/her driver's license suspended for at least 1 year; b) be subject to vehicle impoundment, immobilization, or ignition interlock installation; c) receive an assessment of the individual's degree of alcoholic abuse and treatment as appropriate; and d) receive at least an assignment of 30 days of community service or 5 days imprisonment for a second offense and at least an assignment of 60 days community service or 10 days imprisonment for a third or subsequent offense.	<p>For FY 2001 and 2002, effective the first day of the fiscal year, a State that has not enacted or is not enforcing such a law will have 1½ percent of its NHS, STP, and IM apportionments and associated obligation authority transferred to the State's Section 402 safety program for use for alcohol-impaired driving countermeasures, for enforcement of impaired or intoxicated driving laws, or for hazard elimination activities, at the State's option.</p> <p>For FY 2003 and afterwards, effective the first day of the fiscal year, a State that has either not enacted or is not enforcing such a law will have 3 percent of its NHS, STP, and IM apportionments and associated obligation authority transferred to the State's Section 402 apportionment for use for alcohol-impaired driving countermeasures, for enforcement of impaired or intoxicated driving laws, or for hazard elimination activities, at the State's option.</p>

Appendix G: Surface Transportation Program—Sub-State Distribution



Appendix H: Authorizations for Allocated Programs

(Amounts in Millions of Dollars)

PROGRAM	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	TOTAL
Federal Lands Highways Program	536.000	706.000	706.000	706.000	706.000	706.000	4,066.000
Bureau of Transportation Statistics ¹	31.000	31.000	31.000	31.000	31.000	31.000	186.000
Highway Use Tax Evasion Program ¹	10.000	5.000	5.000	5.000	5.000	5.000	35.000
High Priority Projects Program ¹	1,029.584	1,403.978	1,684.773	1,684.773	1,778.372	1,778.372	9,359.852
Woodrow Wilson Memorial Bridge ¹	25.000	75.000	150.000	200.000	225.000	225.000	900.000
Interstate Maintenance Discretionary Program	50.000	100.000	100.000	100.000	100.000	100.000	550.000
Territorial Highways	36.400	36.400	36.400	36.400	36.400	36.400	218.400
Alaska Highway	18.800	18.800	18.800	18.800	18.800	0.000	94.000
Operation Lifesaver	0.500	0.500	0.500	0.500	0.500	0.500	3.000
Rail-Highway Crossing Hazard Elimination in High Speed Rail Corridors	5.250	5.250	5.250	5.250	5.250	5.250	31.500
Highway Skill Training	10.000	10.000	10.000	10.000	10.000	10.000	60.000
On-the-Job Training Supportive Services	10.000	10.000	10.000	10.000	10.000	10.000	60.000
Bridge Discretionary Program	25.000	100.000	100.000	100.000	100.000	100.000	525.000
Study of CMAQ Program Effectiveness	0.000	0.500	0.500	0.000	0.000	0.000	1.000
National Corridor Planning and Development and Coordinated Border Infrastructure Program	0.000	140.000	140.000	140.000	140.000	140.000	700.000
Construction of Ferry Boats and Ferry Terminal Facilities	30.000	38.000	38.000	38.000	38.000	38.000	220.000
National Scenic Byways Program	23.500	23.500	24.500	24.500	25.500	26.500	148.000
Value Pricing Pilot Program	0.000	7.000	11.000	11.000	11.000	11.000	51.000
Commonwealth of Puerto Rico Highway Program	110.000	110.000	110.000	110.000	110.000	110.000	660.000
Miscellaneous Studies, Reports, and Projects (HTF Only)	13.588	73.231	44.063	25.000	18.800	17.300	191.982
Magnetic Levitation Transportation Technology Deployment Program	0.000	15.000	20.000	25.000	0.000	0.000	60.000
Transportation and Community and System Preservation Pilot Program	0.000	20.000	25.000	25.000	25.000	25.000	120.000
Safety Incentive Grants for Use of Seat Belts	0.000	82.000	92.000	102.000	112.000	112.000	500.000
Transportation Infrastructure Finance and Innovation	0.000	80.000	90.000	110.000	120.000	130.000	530.000
Surface Transportation Research	96.000	97.000	97.000	98.000	101.000	103.000	592.000
Technology Deployment Program	35.000	35.000	40.000	45.000	45.000	50.000	250.000
Training and Education	14.000	15.000	16.000	18.000	19.000	20.000	102.000
ITS Standards, Research, Operational Tests, and Development	95.000	95.000	98.200	100.000	105.000	110.000	603.200
ITS Deployment	101.000	105.000	113.000	118.000	120.000	122.000	679.000
University Transportation Centers	25.650	25.650	27.250	27.250	26.500	26.500	158.800
TOTAL	2,331.272	3,463.809	3,844.236	3,924.473	4,043.122	4,048.822	21,655.734

¹ All programs in this list, except the Bureau of Transportation Statistics, the Highway Use Tax Evasion Program, High Priority Projects, and the Woodrow Wilson Bridge are subject to the obligation limitation reduction ("lop off" provision) contained in Section 1102(f) of the TEA-21. See the "Obligation Limitation" section of this book or Appendix L for additional information about this provision.

Appendix I: Federal Share and Period of Availability for Selected Programs

PROGRAM	FEDERAL SHARE (%) ¹	AVAILABILITY YEARS
Interstate Maintenance Program	90 ²	4
Interstate Maintenance Discretionary	90 ²	Until Expended
National Highway System	80 ^{2&7}	4
Alaska Highway	100	Until Expended
Territorial Highways	100	4
Surface Transportation Program	80 ^{2&7}	4
Safety Infrastructure	90 ²	4
Transportation Enhancements	80 ²	4
Highway Bridge Replacement and Rehabilitation Program	80	4
Bridge Discretionary	80	4
Congestion Mitigation and Air Quality Improvement Program	80 ²	4
Federal Lands Highways Program	100	4
Indian Reservation Roads		
Public Lands Highways		
Park Roads and Parkways		
Refuge Roads		
Emergency Relief	80-100	Until Expended
Motor Carrier Safety Grants	80	Until Expended
Appalachian Development Highway System	80 ²	Until Expended
Recreational Trails	80 ³	4
National Corridor Planning and Coordinated Border Infrastructure	80 ²	4
Scenic Byways	80	Until Expended
Construction of Ferry Boats and Ferry Terminal Facilities	80	Until Expended
Value Pricing Pilot	80	4 ⁴
Highway Use Tax Evasion	100	4
Transportation and Community and System Preservation Pilot	100	4
Woodrow Wilson Bridge	80-100	Until Expended
High Priority Projects	80 ⁵	Until Expended
Intelligent Transportation Systems – Research and Development	80-100 ⁸	Until Expended
Intelligent Transportation Systems – Deployment	50-80 ⁹	Until Expended
Surface Transportation Research	80-100	Until Expended
Technology Deployment	80-100	Until Expended
State Planning and Research	80 ⁶	4
Metropolitan Planning	80 ^{2&6}	4
Minimum Guarantee	80	4

¹ Up to 10% of a State's apportionment for Interstate Maintenance, National Highway System, Surface Transportation Program, Congestion Mitigation and Air Quality Improvement Program, and Recreational Trails may be used at 100% Federal share for certain safety and traffic operations projects. Funds applied to Interstate System projects (except added Single Occupancy Vehicle or auxiliary lanes) may be used at 90% Federal share, or higher if subject to sliding scale.

² Federal share subject to revision up to 95% because of sliding scale adjustment for States with large amounts of Federal lands.

³ Federal share up to 95% allowed including Federal agency project sponsor contributions.

⁴ Unallocated balance in excess of \$8 million at the end of any fiscal year shall be apportioned to the States for STP purposes.

⁵ Except projects on the Baltimore Washington Parkway and in American Samoa and the U.S. Virgin Islands, which are 100%.

⁶ May approve up to 100% if the Secretary finds that it is in the interest of the Federal-aid highway program.

⁷ Projects on the Interstate System may be 90% Federal share.

⁸ For Intelligent Transportation Systems Research and Development projects, the Federal share for the project is 100% unless it is a demonstration project or an operational test, in which case the Federal share is 80%.

⁹ For Intelligent Transportation Systems Deployment projects, 50% of the project's costs may be paid with ITS funds. Up to an additional 30% of the project's costs may be paid using other Federal funds but at least 20% must come from non-Federal sources.

Appendix J: Transferability

PROGRAM	TRANSFERABILITY PROVISIONS	STATUTE	
Interstate Maintenance Program (IM)	A State may transfer up to 50% of its IM apportionment to its NHS, STP, CMAQ, HBRRP, and/or Recreational Trails apportionments.	23 U.S.C. 110(a)	
	If a State certifies, and the Secretary approves, that the IM apportionment is in excess of the State's needs for that program and that the State is adequately maintaining the Interstate System, the State may transfer such excess to its NHS or STP apportionments.	23 U.S.C. 119(c)(1)	
	Any amounts transferred to the STP are not subject to the STP earmarking and subdivision requirements.	23 U.S.C. 110(b)	
National Highway System (NHS)	Up to 50% of a State's NHS apportionment may be transferred to its STP, IM, CMAQ, HBRRP, and/or Recreational Trails apportionment.	23 U.S.C. 104(c) and 110(a)	
	Up to 100% may be transferred to the STP if approved by the Secretary and if sufficient notice and opportunity for public comment is given.	23 U.S.C. 104(c)	
	Any amounts transferred to the STP are not subject to the STP earmarking and subdivision requirements.	23 U.S.C. 104(c) and 110(b)	
Surface Transportation Program (STP)	Transportation Enhancements (TE) Set-aside	Up to 25% of the difference between the amount set aside for TE for the fiscal year and the amount set aside for TE for FY 1997 may be transferred to the IM, CMAQ, NHS, HBRRP, and/or Recreational Trails apportionment.	23 U.S.C. 110(b)
	Safety Set-aside	Safety set-aside funds equivalent to the funds made available for FY 1991 for the Hazard Elimination (23 U.S.C. 152) and Railway-Highway Crossing (23 U.S.C. 130) programs may not be transferred.	23 U.S.C. 110(b)
		Up to 25% of the difference between the remainder of the safety set-aside for the fiscal year—the "optional safety" funds—and the comparable amount for FY 1997 may be transferred to the IM, CMAQ, NHS, HBRRP, and/or Recreational Trails apportionment.	23 U.S.C. 110(b)
	Suballocation to Areas	STP funds allocated to sub-State areas (areas with population of 200,000 or under, urbanized areas with population over 200,000) may not be transferred.	23 U.S.C. 110(b)
Highway Bridge Replacement and Rehabilitation Program (HBRRP)	A State may transfer up to 50% of its HBRRP apportionment to its apportionment under IM, NHS, STP, CMAQ, and/or Recreational Trails. For purposes of apportioning HBRRP funds in the following year, the transferred amount will be deducted from the total cost of deficient bridges in the State and in all States.	23 U.S.C. 110(a) and 144(e)	
	Funds set aside for off-system bridges may not be transferred unless a determination is made that the State has inadequate needs to justify expenditure of the full amount of the set-aside funds.	23 U.S.C. 144(g)(3)	
	Any amounts transferred to the STP are not subject to the STP earmarking and subdivision requirements.	23 U.S.C. 110(b)	
Congestion Mitigation and Air Quality Improvement Program (CMAQ)	A State may transfer up to 50% of the amount by which the apportionment for the fiscal year exceeds the amount the State would have been apportioned if the program had been funded at \$1.35 billion annually to its STP, NHS, IM, HBRRP, and/or Recreational Trails apportionments, although transferred funds may only be used in nonattainment and maintenance areas.	23 U.S.C. 110(c)	
	Any amounts transferred to the STP are not subject to the STP earmarking and subdivision requirements.	23 U.S.C. 110(b)	
Recreational Trails Program	A State may transfer up to 50% of its Recreational Trails apportionment to its apportionment under IM, NHS, STP, CMAQ, and/or HBRRP	23 U.S.C. 110(a)	
	Any amounts transferred to the STP are not subject to the STP earmarking and subdivision requirements.	23 U.S.C. 110(b)	
Metropolitan Planning	Funds set aside for Metropolitan Planning may not be transferred.	23 U.S.C. 110(b)	

Appendix J (continued)

PROGRAM	TRANSFERABILITY PROVISIONS	STATUTE
Interstate Construction (IC)	A State, other than Massachusetts, may transfer an amount equivalent to the Federal share of the cost to complete its open-to-traffic Interstate segments included in the latest Interstate Cost Estimate (ICE) from its IC funds to NHS and/or IM. The work on which the transfer is based will be removed from the ICE and will lose its IC fund eligibility.	23 U.S.C. 119(b)
	States may transfer IC funds remaining after all work included in the ICE has been fully financed to the NHS.	23U.S.C. 103(d)
	States with remaining completion work on Interstate gaps or open-to-traffic segments may relinquish IC fund eligibility and transfer to the NHS amounts equivalent to the Federal share of the cost of such work in the most recent ICE.	23U.S.C. 103(d)

Appendix K: Step-by-Step Obligation Limitation Distribution

	New FY 1999 Contract Authority	New FY 1999 Obligation Limitation																					
FY 1999 Total	29,307,465,237	25,511,000,000																					
BEGINNING:	Sec. 1102(b)																						
Exclude Exempt Programs	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="3">Exempt Programs:</td> </tr> <tr> <td style="padding-left: 20px;">Emergency Relief</td> <td style="text-align: right;">100,000,000</td> <td style="text-align: right;">-----</td> </tr> <tr> <td style="padding-left: 20px;">Minimum Guarantee</td> <td style="text-align: right;">639,000,000</td> <td style="text-align: right;">-----</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">739,000,000</td> <td style="text-align: right; border-top: 1px solid black;">-----</td> </tr> <tr> <td style="padding-left: 20px;">Total Subject to Limit</td> <td style="text-align: right;">28,568,465,237</td> <td style="text-align: right;">25,511,000,000</td> </tr> </table>		Exempt Programs:			Emergency Relief	100,000,000	-----	Minimum Guarantee	639,000,000	-----		739,000,000	-----	Total Subject to Limit	28,568,465,237	25,511,000,000						
Exempt Programs:																							
Emergency Relief	100,000,000	-----																					
Minimum Guarantee	639,000,000	-----																					
	739,000,000	-----																					
Total Subject to Limit	28,568,465,237	25,511,000,000																					
STEP 1:	Sec. 1102(c)(1)																						
Set aside certain programs at 100%	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="3">100% Accounts:</td> </tr> <tr> <td style="padding-left: 20px;">Administration</td> <td style="text-align: right;">399,991,601 ¹</td> <td style="text-align: right;">324,767,000 ²</td> </tr> <tr> <td style="padding-left: 20px;">Other Programs Funded from Takedown</td> <td style="text-align: right;">-----</td> <td style="text-align: right;">13,500,000</td> </tr> <tr> <td style="padding-left: 20px;">Carryover – GOE Research</td> <td style="text-align: right;">-----</td> <td style="text-align: right;">10,524,546</td> </tr> <tr> <td style="padding-left: 20px;">Highway Use Tax Evasion</td> <td style="text-align: right;">5,000,000</td> <td style="text-align: right;">5,000,000</td> </tr> <tr> <td style="padding-left: 20px;">Bureau of Transportation Statistics</td> <td style="text-align: right;">31,000,000</td> <td style="text-align: right;">31,000,000</td> </tr> <tr> <td style="padding-left: 40px;">Subtotal</td> <td style="text-align: right; border-top: 1px solid black;">435,991,601</td> <td style="text-align: right; border-top: 1px solid black;">384,791,546</td> </tr> </table>		100% Accounts:			Administration	399,991,601 ¹	324,767,000 ²	Other Programs Funded from Takedown	-----	13,500,000	Carryover – GOE Research	-----	10,524,546	Highway Use Tax Evasion	5,000,000	5,000,000	Bureau of Transportation Statistics	31,000,000	31,000,000	Subtotal	435,991,601	384,791,546
100% Accounts:																							
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Bureau of Transportation Statistics	31,000,000	31,000,000																					
Subtotal	435,991,601	384,791,546																					
STEP 2:	Sec. 1102(c)(2)																						
Set aside limitation for carryover of allocated programs	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Carryover, Allocated Programs</td> <td style="text-align: right;">-----</td> <td style="text-align: right;">298,544,100</td> </tr> </table>		Carryover, Allocated Programs	-----	298,544,100																		
Carryover, Allocated Programs	-----	298,544,100																					
STEP 3:	Sec. 1102(c)(3)																						
Determine ratio of obligation limitation to contract authority	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Subtotal to Determine Ratio (Balances remaining after set-asides in Steps 1 & 2)</td> <td style="text-align: right;">28,132,473,636</td> <td style="text-align: right;">24,827,664,354</td> </tr> <tr> <td style="padding-left: 20px;">Ratio</td> <td style="text-align: right;">88.252688602%</td> <td style="text-align: right;">88.3%</td> </tr> </table>		Subtotal to Determine Ratio (Balances remaining after set-asides in Steps 1 & 2)	28,132,473,636	24,827,664,354	Ratio	88.252688602%	88.3%															
Subtotal to Determine Ratio (Balances remaining after set-asides in Steps 1 & 2)	28,132,473,636	24,827,664,354																					
Ratio	88.252688602%	88.3%																					
STEP 4:	Sec. 1102(c)(4)																						
Set aside "No-Year" limitation for specific programs based on ratio	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="3">Special "No-Year" Limitation:</td> </tr> <tr> <td style="padding-left: 20px;">Minimum Guarantee</td> <td style="text-align: right;">2,000,000,000</td> <td style="text-align: right;">2,000,000,000</td> </tr> <tr> <td style="padding-left: 20px;">High Priority Projects</td> <td style="text-align: right;">1,403,977,500</td> <td style="text-align: right;">1,239,712,133</td> </tr> <tr> <td style="padding-left: 20px;">Appalachian Devel. Hwy. System (after takedown)</td> <td style="text-align: right;">443,250,000</td> <td style="text-align: right;">391,389,750</td> </tr> <tr> <td style="padding-left: 20px;">Woodrow Wilson Memorial Bridge</td> <td style="text-align: right;">75,000,000</td> <td style="text-align: right;">66,225,000</td> </tr> <tr> <td style="padding-left: 40px;">Subtotal</td> <td style="text-align: right; border-top: 1px solid black;">3,922,227,500</td> <td style="text-align: right; border-top: 1px solid black;">3,697,326,883</td> </tr> </table>		Special "No-Year" Limitation:			Minimum Guarantee	2,000,000,000	2,000,000,000	High Priority Projects	1,403,977,500	1,239,712,133	Appalachian Devel. Hwy. System (after takedown)	443,250,000	391,389,750	Woodrow Wilson Memorial Bridge	75,000,000	66,225,000	Subtotal	3,922,227,500	3,697,326,883			
Special "No-Year" Limitation:																							
Minimum Guarantee	2,000,000,000	2,000,000,000																					
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Woodrow Wilson Memorial Bridge	75,000,000	66,225,000																					
Subtotal	3,922,227,500	3,697,326,883																					
STEP 5:	Sec. 1102(c)(5)																						
Set aside limitation for allocated pgms. based on ratio	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Allocated Programs ³</td> <td style="text-align: right;">1,938,241,000</td> <td style="text-align: right;">1,706,412,677</td> </tr> </table>		Allocated Programs ³	1,938,241,000	1,706,412,677																		
Allocated Programs ³	1,938,241,000	1,706,412,677																					
STEP 6:	Sec. 1102(c)(6)																						
Distribute remaining limitation to the States	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Distributed to the States</td> <td style="text-align: right;">22,272,005,136</td> <td style="text-align: right;">19,423,924,795</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border: 1px solid black;">87.21%</td> </tr> </table>		Distributed to the States	22,272,005,136	19,423,924,795			87.21%															
Distributed to the States	22,272,005,136	19,423,924,795																					
		87.21%																					

1 Represents 1.50% administrative takedown from: STP, NHS, IM, CMAQ, Bridge, Federal Lands, ADHS, and Recreational Trails.

2 Limitation on General Operating Expenses for FY 1999 set in the DOT and Related Agencies Appropriations Act, less amount for TASC reduction.

3 A penalty is deducted from the Puerto Rico Highway Program prior to the obligation limitation calculation for allocated programs.

Appendix L: Allocated Programs Subject to Sec. 1102(f) Reduction (“Lop off”)

ALLOCATED PROGRAM	FY 1999 AUTHORIZATION	OBLIGATION LIMITATION RATIO	FY 1999 LIMITATION
<u>Interstate Maintenance Program Set-asides:</u>			
Interstate Maintenance Discretionary	100,000,000	88.3%	88,300,000
<u>National Highway System Set-asides:</u>			
Territorial Highways	36,400,000	88.3%	32,141,200
Alaska Highway	18,800,000	88.3%	16,600,400
<u>Surface Transportation Program Set-asides:</u>			
Operation Lifesaver	500,000	88.3%	441,500
High Speed Rail	5,250,000	88.3%	4,635,750
Highway Skill Training	10,000,000	88.3%	8,830,000
On-the-Job Training Supportive Services	10,000,000	88.3%	8,830,000
<u>Highway Bridge Replacement and Rehabilitation Program Set-aside:</u>			
Bridge Discretionary	100,000,000	88.3%	88,300,000
<u>Congestion Mitigation/Air Quality Improvement Program Set-aside:</u>			
CMAQ Adequacy Study	500,000	88.3%	441,500
National Corridor Planning and Border Infrastructure	140,000,000	88.3%	123,620,000
Construction of Ferry Boats and Ferry Terminal Facilities	38,000,000	88.3%	33,554,000
National Scenic Byways	23,500,000	88.3%	20,750,500
Value Pricing Pilot Program	7,000,000	88.3%	6,181,000
Puerto Rico Highway Program (after penalty)	104,276,188	88.3%	92,075,874
Puerto Rico Penalty Amount	5,723,812	-----	-----
Federal Lands (after Administrative Takedown)	695,410,000	88.3%	614,047,030
Miscellaneous Studies, Reports, and Programs (Sections 1210-1215 – Highway Trust Fund Only)	73,231,000	88.3%	64,662,973
Magnetic Levitation Transportation Technology Deployment Program (MAGLEV)	15,000,000	88.3%	13,245,000
Transportation and Community and System Preservation Pilot	20,000,000	88.3%	17,660,000
Safety Incentive Grants – Seat Belts	82,000,000	88.3%	72,406,000
Transportation Infrastructure Finance/Innovation	80,000,000	88.3%	70,640,000
Surface Transportation Research	97,000,000	88.3%	85,651,000
Technology Deployment Program	35,000,000	88.3%	30,905,000
Training and Education	15,000,000	88.3%	13,245,000
ITS Standards, Research, Operational Tests, and Development	95,000,000	88.3%	83,885,000
ITS Deployment	105,000,000	88.3%	92,715,000
University Transportation Research	25,650,000	88.3%	22,648,950
	1,938,241,000		1,706,412,677

Appendix M: Federal Excise Taxes on Highway Motor Fuel₁ (Cents Per Gallon)

TAX RATE	EFFECTIVE DATE	DISTRIBUTION OF TAX					SOURCE OF CHANGE
		HIGHWAY TRUST FUND		LEAKING UNDERGROUND STORAGE TANK TRUST FUND	GENERAL FUND FOR:		
		HIGHWAY ACCOUNT	MASS TRANSIT ACCOUNT		DEFICIT REDUCTION	NOT SPECIFIED	
GASOLINE							
3	07/01/56	3	-	-	-	-	Highway Revenue Act of 1956 P.L. 84-627
4	10/01/59	4	-	-	-	-	Federal-Aid Highway Act of 1959 P.L. 86-342
9	2/ 04/01/83	8	1	-	-	-	Surface Transportation Assistance Act of 1982 P.L. 97-424
9	2/ 08/01/84	8	1	-	-	-	Deficit Reduction Act of 1984 P.L. 98-369
9.1	01/01/87	8	1	0.1	-	-	Superfund Amendments & Reauthorization Act of 1986 P.L. 99-499
14.1	12/01/90	10	1.5	0.1	2.5	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
18.4	10/01/93	10	1.5	0.1	6.8	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
18.4	10/01/95	12	2	0.1	4.3	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
18.3	01/01/96	12	2	-	4.3	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
18.4	10/01/97	15.45	2.85	0.1	-	-	Taxpayer Relief Act of 1997 P.L. 105-34
18.4	3/ 10/01/97	15.44	2.86	0.1	-	-	Transportation Equity Act for the 21st Century P.L. 105-178
DIESEL FUEL							
3	07/01/56	3	-	-	-	-	Highway Revenue Act of 1956 P.L. 84-627
4	10/01/59	4	-	-	-	-	Federal-Aid Highway Act of 1959 P.L. 86-342
9	2/ 04/01/83	8	1	-	-	-	Surface Transportation Assistance Act of 1982 P.L. 97-424
15	2/ 08/01/84	14	1	-	-	-	Deficit Reduction Act of 1984 P.L. 98-369
15.1	01/01/87	14	1	0.1	-	-	Superfund Amendments & Reauthorization Act of 1986 P.L. 99-499
20.1	12/01/90	16	1.5	0.1	2.5	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
24.4	10/01/93	16	1.5	0.1	6.8	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
24.4	10/01/95	18	2	0.1	4.3	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
24.3	01/01/96	18	2	-	4.3	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
24.4	10/01/97	21.45	2.85	0.1	-	-	Taxpayer Relief Act of 1997 P.L. 105-34
24.4	3/ 10/01/97	21.44	2.86	0.1	-	-	Transportation Equity Act for the 21st Century P.L. 105-178
GASOHOL 4/ (10 Percent Made with Ethanol)							
3	07/01/56	3	-	-	-	-	Highway Revenue Act of 1956 P.L. 84-627
4	10/01/59	4	-	-	-	-	Federal-Aid Highway Act of 1959 P.L. 86-342
-	01/01/79	-	-	-	-	-	Energy Tax Act of 1978 P.L. 95-618
4	2/ 04/01/83	3.56	0.44	-	-	-	Surface Transportation Assistance Act of 1982 P.L. 97-424
4	2/ 08/01/84	3	1	-	-	-	Deficit Reduction Act of 1984 P.L. 98-369
3	01/01/85	2	1	-	-	-	Deficit Reduction Act of 1984 P.L. 98-369
3.1	01/01/87	2	1	0.1	-	-	Superfund Amendments & Reauthorization Act of 1986 P.L. 99-499
8.7	12/01/90	4	1.5	0.1	2.5	0.6	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
13	10/01/93	4	1.5	0.1	6.8	0.6	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
13	10/01/95	3.5	2	0.1	6.8	0.6	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
12.9	01/01/96	3.4	2	-	6.9	0.6	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
13	10/01/97	6.95	2.85	0.1	2.5	0.6	Taxpayer Relief Act of 1997 P.L. 105-34
13	3/ 10/01/97	6.94	2.86	0.1	2.5	0.6	Transportation Equity Act for the 21st Century P.L. 105-178
GASOHOL 4/ (10 Percent Made with Methanol)							
3	07/01/56	3	-	-	-	-	Highway Revenue Act of 1956 P.L. 84-627
4	10/01/59	4	-	-	-	-	Federal-Aid Highway Act of 1959 P.L. 86-342
-	01/01/79	-	-	-	-	-	Energy Tax Act of 1978 P.L. 95-618
4	04/01/83	3	1	-	-	-	Surface Transportation Assistance Act of 1982 P.L. 97-424
3	01/01/85	2	1	-	-	-	Deficit Reduction Act of 1984 P.L. 98-369
3.1	01/01/87	2	1	0.1	-	-	Superfund Amendments & Reauthorization Act of 1986 P.L. 99-499
8.1	12/01/90	4	1.5	0.1	2.5	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
12.4	10/01/93	4	1.5	0.1	6.8	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
12.4	10/01/95	3.5	2	0.1	6.8	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
12.3	01/01/96	3.4	2	-	6.9	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
12.4	10/01/97	6.95	2.85	0.1	2.5	-	Taxpayer Relief Act of 1997 P.L. 105-34
12.4	3/ 10/01/97	6.94	2.86	0.1	2.5	-	Transportation Equity Act for the 21st Century P.L. 105-178

Appendix M (continued)

TAX RATE	EFFECTIVE DATE	DISTRIBUTION OF TAX					SOURCE OF CHANGE
		HIGHWAY TRUST FUND		LEAKING UNDERGROUND STORAGE TANK TRUST FUND	GENERAL FUND FOR:		
		HIGHWAY ACCOUNT	MASS TRANSIT ACCOUNT		DEFICIT REDUCTION	NOT SPECIFIED	
GASOHOL 4/ (7.7 Percent Made with Ethanol)							
3	07/01/56	3	-	-	-	-	Highway Revenue Act of 1956 P.L. 84-627
4	10/01/59	4	-	-	-	-	Federal-Aid Highway Act of 1959 P.L. 86-342
9	2/ 04/01/83	8	1	-	-	-	Surface Transportation Assistance Act of 1982 P.L. 97-424
9	2/ 08/01/84	8	1	-	-	-	Deficit Reduction Act of 1984 P.L. 98-369
9.1	01/01/87	8	1	0.1	-	-	Superfund Amendments & Reauthorization Act of 1986 P.L. 99-499
14.1	12/01/90	10	1.5	0.1	2.5	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
9.942	01/01/93	5.842	1.5	0.1	2.5	-	Energy Policy Act of 1992
14.242	10/01/93	5.842	1.5	0.1	6.8	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
14.242	10/01/95	5.342	2	0.1	6.8	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
14.142	01/01/96	5.242	2	-	6.9	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
14.242	10/01/97	8.792	2.85	0.1	2.5	-	Taxpayer Relief Act of 1997 P.L. 105-34
14.242	3/ 10/01/97	8.782	2.86	0.1	2.5	-	Transportation Equity Act for the 21st Century P.L. 105-178
GASOHOL 4/ (7.7 Percent Made with Methanol)							
3	07/01/56	3	-	-	-	-	Highway Revenue Act of 1956 P.L. 84-627
4	10/01/59	4	-	-	-	-	Federal-Aid Highway Act of 1959 P.L. 86-342
9	2/ 04/01/83	8	1	-	-	-	Surface Transportation Assistance Act of 1982 P.L. 97-424
9	2/ 08/01/84	8	1	-	-	-	Deficit Reduction Act of 1984 P.L. 98-369
9.1	01/01/87	8	1	0.1	-	-	Superfund Amendments & Reauthorization Act of 1986 P.L. 99-499
14.1	12/01/90	10	1.5	0.1	2.5	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
9.48	01/01/93	5.38	1.5	0.1	2.5	-	Energy Policy Act of 1992
13.78	10/01/93	5.38	1.5	0.1	6.8	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
13.78	10/01/95	4.88	2	0.1	6.8	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
13.68	01/01/96	4.78	2	-	6.9	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
13.78	10/01/97	8.33	2.85	0.1	2.5	-	Taxpayer Relief Act of 1997 P.L. 105-34
13.78	3/ 10/01/97	8.32	2.86	0.1	2.5	-	Transportation Equity Act for the 21st Century P.L. 105-178
GASOHOL 4/ (5.7 Percent Made with Ethanol)							
3	07/01/56	3	-	-	-	-	Highway Revenue Act of 1956 P.L. 84-627
4	10/01/59	4	-	-	-	-	Federal-Aid Highway Act of 1959 P.L. 86-342
9	2/ 04/01/83	8	1	-	-	-	Surface Transportation Assistance Act of 1982 P.L. 97-424
9	2/ 08/01/84	8	1	-	-	-	Deficit Reduction Act of 1984 P.L. 98-369
9.1	01/01/87	8	1	0.1	-	-	Superfund Amendments & Reauthorization Act of 1986 P.L. 99-499
14.1	12/01/90	10	1.5	0.1	2.5	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
11.022	01/01/93	6.922	1.5	0.1	2.5	-	Energy Policy Act of 1992
15.322	10/01/93	6.922	1.5	0.1	6.8	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
15.322	10/01/95	6.422	2	0.1	6.8	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
15.222	01/01/96	6.322	2	-	6.9	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
15.322	10/01/97	9.872	2.85	0.1	2.5	-	Taxpayer Relief Act of 1997 P.L. 105-34
15.322	3/ 10/01/97	9.862	2.86	0.1	2.5	-	Transportation Equity Act for the 21st Century P.L. 105-178
GASOHOL 4/ (5.7 Percent Made with Methanol)							
3	07/01/56	3	-	-	-	-	Highway Revenue Act of 1956 P.L. 84-627
4	10/01/59	4	-	-	-	-	Federal-Aid Highway Act of 1959 P.L. 86-342
9	2/ 04/01/83	8	1	-	-	-	Surface Transportation Assistance Act of 1982 P.L. 97-424
9	2/ 08/01/84	8	1	-	-	-	Deficit Reduction Act of 1984 P.L. 98-369
9.1	01/01/87	8	1	0.1	-	-	Superfund Amendments & Reauthorization Act of 1986 P.L. 99-499
14.1	12/01/90	10	1.5	0.1	2.5	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
10.68	01/01/93	6.58	1.5	0.1	2.5	-	Energy Policy Act of 1992
14.98	10/01/93	6.58	1.5	0.1	6.8	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
14.98	10/01/95	6.08	2	0.1	6.8	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
14.88	01/01/96	5.98	2	-	6.9	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
14.98	10/01/97	9.53	2.85	0.1	2.5	-	Taxpayer Relief Act of 1997 P.L. 105-34
14.98	3/ 10/01/97	9.52	2.86	0.1	2.5	-	Transportation Equity Act for the 21st Century P.L. 105-178

Appendix M (continued)

TAX RATE	EFFECTIVE DATE	DISTRIBUTION OF TAX					SOURCE OF CHANGE
		HIGHWAY TRUST FUND		LEAKING UNDERGROUND STORAGE TANK TRUST FUND	GENERAL FUND FOR:		
		HIGHWAY ACCOUNT	MASS TRANSIT ACCOUNT		DEFICIT REDUCTION	NOT SPECIFIED	
SPECIAL FUELS General Rates							
3	07/01/56	3	-	-	-	-	Highway Revenue Act of 1956 P.L. 84-627
4	10/01/59	4	-	-	-	-	Federal-Aid Highway Act of 1959 P.L. 86-342
9	2/ 04/01/83	8	1	-	-	-	Surface Transportation Assistance Act of 1982 P.L. 97-424
9	2/ 08/01/84	8	1	-	-	-	Deficit Reduction Act of 1984 P.L. 98-369
9.1	01/01/87	8	1	0.1	-	-	Superfund Amendments & Reauthorization Act of 1986 P.L. 99-499
14.1	12/01/90	10	1.5	0.1	2.5	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
18.4	10/01/93	10	1.5	0.1	6.8	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
18.4	10/01/95	12	2	0.1	4.3	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
18.3	01/01/96	12	2	-	4.3	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
18.4	10/01/97	15.45	2.85	0.1	-	-	Taxpayer Relief Act of 1997 P.L. 105-34
18.4	3/ 10/01/97	15.44	2.86	0.1	-	-	Transportation Equity Act for the 21st Century P.L. 105-178
SPECIAL FUELS Liquefied Petroleum Gases							
3	07/01/56	3	-	-	-	-	Highway Revenue Act of 1956 P.L. 84-627
4	10/01/59	4	-	-	-	-	Federal-Aid Highway Act of 1959 P.L. 86-342
9	2/ 04/01/83	8	1	-	-	-	Surface Transportation Assistance Act of 1982 P.L. 97-424
9	2/ 08/01/84	8	1	-	-	-	Deficit Reduction Act of 1984 P.L. 98-369
14	12/01/90	10	1.5	-	2.5	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
18.3	10/01/93	10	1.5	-	6.8	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
18.3	10/01/95	12	2	-	4.3	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
13.6	10/01/97	10.75	2.85	-	-	-	Taxpayer Relief Act of 1997 P.L. 105-34
13.6	3/ 10/01/97	11.47	2.13	-	-	-	Transportation Equity Act for the 21st Century P.L. 105-178
SPECIAL FUELS Liquefied Natural Gas							
3	07/01/56	3	-	-	-	-	Highway Revenue Act of 1956 P.L. 84-627
4	10/01/59	4	-	-	-	-	Federal-Aid Highway Act of 1959 P.L. 86-342
9	2/ 04/01/83	8	1	-	-	-	Surface Transportation Assistance Act of 1982 P.L. 97-424
9	2/ 08/01/84	8	1	-	-	-	Deficit Reduction Act of 1984 P.L. 98-369
9.1	01/01/87	8	1	0.1	-	-	Superfund Amendments & Reauthorization Act of 1986 P.L. 99-499
14.1	12/01/90	10	1.5	0.1	2.5	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
18.4	10/01/93	10	1.5	0.1	6.8	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
18.4	10/01/95	12	2	0.1	4.3	-	Omnibus Budget Reconciliation Act of 1990 P.L. 103-66
18.3	01/01/96	12	2	-	4.3	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
11.9	10/01/97	9.05	2.85	-	-	-	Taxpayer Relief Act of 1997 P.L. 105-34
11.9	3/ 10/01/97	10.04	1.86	-	-	-	Transportation Equity Act for the 21st Century P.L. 105-178
SPECIAL FUELS Neat Alcohol (85+% Alcohol) with Ethanol from Natural Gas							
3	07/01/56	3	-	-	-	-	Highway Revenue Act of 1956 P.L. 84-627
4	10/01/59	4	-	-	-	-	Federal-Aid Highway Act of 1959 P.L. 86-342
9	2/ 04/01/83	8	1	-	-	-	Surface Transportation Assistance Act of 1982 P.L. 97-424
4.5	2/ 08/01/84	3.5	1	-	-	-	Deficit Reduction Act of 1984 P.L. 98-369
4.6	01/01/87	3.5	1	0.1	-	-	Superfund Amendments & Reauthorization Act of 1986 P.L. 99-499
7.1	12/01/90	4.25	1.5	0.1	1.25	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
11.4	10/01/93	4.25	1.5	0.1	5.55	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
11.4	10/01/95	5	2	0.1	4.3	-	Omnibus Budget Reconciliation Act of 1990 P.L. 103-66
11.3	01/01/96	5	2	-	4.3	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
11.4	10/01/97	8.45	2.85	0.1	-	-	Taxpayer Relief Act of 1997 P.L. 105-34
11.4	3/ 10/01/97	8.44	2.86	0.1	-	-	Transportation Equity Act for the 21st Century P.L. 105-178

Appendix M (continued)

TAX RATE	EFFECTIVE DATE	DISTRIBUTION OF TAX						SOURCE OF CHANGE
		HIGHWAY TRUST FUND		LEAKING UNDERGROUND STORAGE TANK TRUST FUND	GENERAL FUND FOR:			
		HIGHWAY ACCOUNT	MASS TRANSIT ACCOUNT		DEFICIT REDUCTION	NOT SPECIFIED		
SPECIAL FUELS Neat Alcohol (85+% Alcohol) with Methanol from Natural Gas								
3	07/01/56	3	-	-	-	-	-	Highway Revenue Act of 1956 P.L. 84-627
4	10/01/59	4	-	-	-	-	-	Federal-Aid Highway Act of 1959 P.L. 86-342
9	2/ 04/01/83	8	1	-	-	-	-	Surface Transportation Assistance Act of 1982 P.L. 97-424
4.5	2/ 08/01/84	3.5	1	-	-	-	-	Deficit Reduction Act of 1984 P.L. 98-369
4.6	01/01/87	3.5	1	0.1	-	-	-	Superfund Amendments & Reauthorization Act of 1986 P.L. 99-499
7.1	12/01/90	4.25	1.5	0.1	1.25	-	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
11.4	10/01/93	4.25	1.5	0.1	5.55	-	-	Omnibus Budget Reconciliation Act of 1990 P.L. 103-66
11.4	10/01/95	5	2	0.1	4.3	-	-	Omnibus Budget Reconciliation Act of 1990 P.L. 103-66
11.3	01/01/96	5	2	-	4.3	-	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
9.25	10/01/97	6.3	2.85	0.1	-	-	-	Taxpayer Relief Act of 1997 P.L. 105-34
9.25	3/ 10/01/97	7.72	1.43	0.1	-	-	-	Transportation Equity Act for the 21st Century P.L. 105-178
SPECIAL FUELS Neat Alcohol (85+% Alcohol) with Ethanol Not from Natural Gas or Petroleum								
3	07/01/56	3	-	-	-	-	-	Highway Revenue Act of 1956 P.L. 84-627
4	10/01/59	4	-	-	-	-	-	Federal-Aid Highway Act of 1959 P.L. 86-342
-	04/01/83	-	-	-	-	-	-	Surface Transportation Assistance Act of 1982 P.L. 97-424
3.1	5/ 01/01/87	2	1	0.1	-	-	-	Tax Reform Act of 1986 P.L. 99-514, Superfund Amendments of 1986 P.L. 99-499
3.05	5/ 01/01/87	2	1	0.05	-	-	-	Technical and Miscellaneous Revenue Act of 1988 P.L. 100-647
9.25	12/01/90	4.6	1.5	0.05	2.5	0.6	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
12.95	10/01/93	4	1.5	0.05	6.8	0.6	-	Omnibus Budget Reconciliation Act of 1990 P.L. 103-66
12.95	10/01/95	3.5	2	0.05	6.8	0.6	-	Omnibus Budget Reconciliation Act of 1990 P.L. 103-66
12.9	01/01/96	3.5	2	-	6.8	0.6	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
12.95	10/01/97	6.95	2.85	0.05	2.5	0.6	-	Taxpayer Relief Act of 1997 P.L. 105-34
12.95	3/ 10/01/97	6.94	2.86	0.05	2.5	0.6	-	Transportation Equity Act for the 21st Century P.L. 105-178
SPECIAL FUELS Neat Alcohol (85+% Alcohol) with Methanol Not from Natural Gas or Petroleum								
3	07/01/56	3	-	-	-	-	-	Highway Revenue Act of 1956 P.L. 84-627
4	10/01/59	4	-	-	-	-	-	Federal-Aid Highway Act of 1959 P.L. 86-342
-	04/01/83	-	-	-	-	-	-	Surface Transportation Assistance Act of 1982 P.L. 97-424
3.1	5/ 01/01/87	2	1	0.1	-	-	-	Tax Reform Act of 1986 P.L. 99-514, Superfund Amendments of 1986 P.L. 99-499
3.05	5/ 01/01/87	2	1	0.05	-	-	-	Technical and Miscellaneous Revenue Act of 1988 P.L. 100-647
8.05	12/01/90	4	1.5	0.05	2.5	-	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
12.35	10/01/93	4	1.5	0.05	6.8	-	-	Omnibus Budget Reconciliation Act of 1990 P.L. 103-66
12.35	10/01/95	3.5	2	0.05	6.8	-	-	Omnibus Budget Reconciliation Act of 1990 P.L. 103-66
12.3	01/01/96	3.5	2	-	6.8	-	-	Omnibus Budget Reconciliation Act of 1990 P.L. 101-508
12.35	10/01/97	6.95	2.85	0.05	2.5	-	-	Taxpayer Relief Act of 1997 P.L. 105-34
12.35	3/ 10/01/97	6.94	2.86	0.05	2.5	-	-	Transportation Equity Act for the 21st Century P.L. 105-178
COMPRESSED NATURAL GAS 5/ (Cents Per Thousand Cubic Feet)								
48.54	10/01/93	-	-	-	48.54	-	-	Omnibus Budget Reconciliation Act of 1993 P.L. 103-66
48.54	10/01/97	38.94	9.6	-	-	-	-	Taxpayer Relief Act of 1997 P.L. 105-34
48.54	3& 6/ 10/01/97	38.83	9.71	-	-	-	-	Transportation Equity Act for the 21st Century P.L. 105-178

- 1/ This table shows the fuel tax rates for highway use of motor fuels, along with the allocation of the revenues derived from the tax, in effect July 1, 1956 and subsequent changes.
- 2/ The Surface Transportation Assistance Act of 1982 (P.L. 97-424) provided that the Mass Transit Account would receive one-ninth of the fuel tax. The Deficit Reduction Act of 1984 (P.L. 98-369) provided that the Mass Transit Account would receive 1 cent per gallon. For most fuels the change had no practical effect.
- 3/ The Transportation Equity Act for the 21st Century retroactively revised the Mass Transit Account share of the fuel tax.
- 4/ Gasohol was not defined in Federal tax law prior to January 1, 1979. The products later defined as gasohol were taxable, to the extent they existed, under the provisions of the gasoline tax. Effective January 1, 1979, the Energy Tax Act of 1978 defined gasohol to be a blend of gasoline and at least 10 percent (by volume) alcohol, excluding alcohol made from petroleum, natural gas, or coal. Blends with less than 10 percent alcohol were taxable as gasoline. The Energy Policy Act of 1992 expanded the definition of gasohol effective January 1, 1993. Under the Act, the product now called 10 percent gasohol corresponds to the definition under the Energy Tax Act of 1978. Two additional types of gasohol are also defined. The term 7.7 percent gasohol includes gasoline-alcohol blends where the alcohol content is at least 7.7 percent but less than 10 percent. The term 5.7 percent gasohol includes gasoline-alcohol blends where the alcohol content is at least 5.7 percent but less than 7.7 percent.
- 5/ The Technical and Miscellaneous Revenue Act of 1988 (P.L. 100-647) retroactively reduced the levy for the Leaking Underground Storage Tank Trust Fund from 0.1 cent to 0.05 cent.
- 6/ Prior to October 1, 1993, compressed natural gas (CNG) was not taxed.

Appendix N: Innovative Project Finance Program

Since 1916, the Federal government has supported surface transportation investment through a grant-based funding strategy known as the Federal-aid highway program (FAHP). Since 1957, revenues derived from the Federal gas tax and other excise taxes have been credited to the Federal Highway Trust Fund (HTF) and allocated among the States pursuant to various formulas for reimbursement of eligible capital costs. Under this approach, the United States Department of Transportation (DOT) reimburses expenditures on transportation infrastructure at prescribed Federal matching rates, while the remainder of project costs is covered by the States.

The FAHP has enabled the construction of an extensive national transportation system, including the Nation's 46,000-mile Interstate highway system. In recent years, however, the program's financial limitations have become evident as the growing demand for transportation investment has outpaced the available public funding to meet that demand.

The Federal government over the last decade has responded to the shortfall in conventional funding sources by providing new funding techniques that complement and enhance the existing grant-reimbursement program by leveraging additional capital investment in transportation infrastructure. The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and Executive Order 12893 (issued in 1994) established Federal policies designed to encourage innovative project management and financing strategies. In 1994, the Federal Highway Administration (FHWA) launched its Test and Evaluation Finance Research Project (TE-045) which spawned a variety of grant management improvement techniques. The National Highway System (NHS) Designation Act of 1995 authorized the State Infrastructure Bank (SIB) pilot program, in which participating States may use some of their Federal highway and transit grants to help capitalize revolving funds. That act also led to the creation of Grant Anticipation Revenue Vehicle (GARVEE) bonds, by permitting States to use their Federal-aid funds to pay for principal, interest and other costs related to the issuance of debt financing instruments.

The Transportation Equity Act for the 21st Century (TEA-21) continues the Federal government's incremental approach to streamlining administrative procedures and providing new financing tools. It gives States and local governments even more flexibility in managing their Federal transportation grants, extends the capacity of SIBs in certain States, and establishes a new financial assistance program, under the Transportation Infrastructure Finance and Innovation Act (TIFIA), through which DOT can provide direct Federal credit to public and private sponsors of eligible surface transportation projects.

Role of Innovative Project Finance

The purpose of DOT's innovative project finance initiative is to respond to the shortfall in conventional public funding by supplementing traditional financing techniques and directing resources to transportation investments of critical importance. Specifically, this is accomplished by fostering public-private partnerships; drawing on the public's willingness to pay direct user charges for transportation benefits and services; leveraging new sources of capital; and

enabling additional transportation facilities to be developed more quickly and at less cost than would be possible under conventional public procurement, funding and ownership.

Figure N-1 summarizes the various Federal financing mechanisms available to assist surface transportation projects. The pyramid's shape reflects the relative number of projects in each funding category.

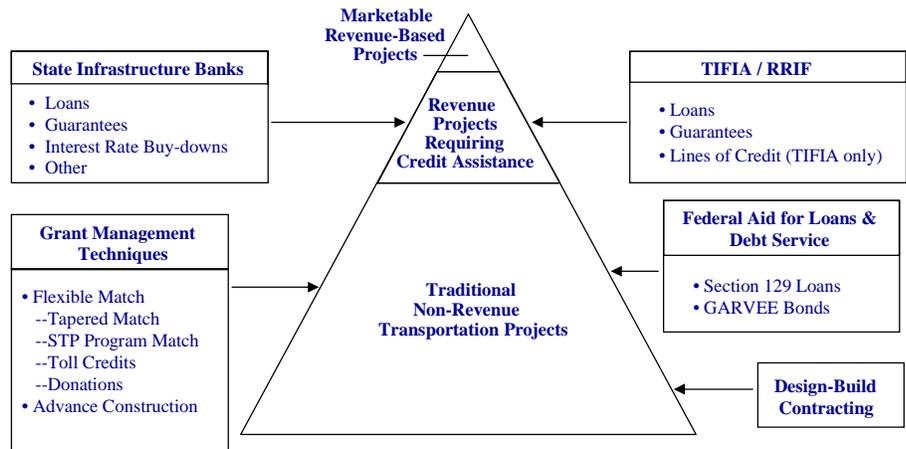


Figure N-1.—Federal Assistance for Transportation Infrastructure.

The base of the pyramid represents the vast majority of projects that cannot generate revenues and therefore will continue to be dependent upon funding primarily through grants. The Federal government has adopted enhanced grant management techniques such as advance construction and grant-supported debt service to help move these projects to construction more quickly.

The middle layer of the pyramid—perhaps 5 to 10 percent of total capital investment—represents those projects that can be at least partially financed with debt payable from project-related revenues, but may also require some form of public credit assistance to gain market access. The SIBs can offer many types of assistance (e.g., low interest loans, loan guarantees and other credit enhancements) to local or regional projects with revenue streams, while the Federal credit program established under TIFIA is designed to assist large-scale projects generating major economic benefits that might otherwise be delayed or not constructed at all because of their risk, complexity or cost.

The peak of the pyramid represents the very small number of projects that can arrange private capital financing without any governmental assistance. These relatively few projects may be developed on high-volume corridors where the revenues from user charges are sufficient to cover capital and operating costs.

Grant Management Techniques

In 1994, President Clinton issued Executive Order 12893, which established more cost-effective investment as a priority for the Administration and directed Federal agencies to seek greater private sector participation in infrastructure investment and management. In response to Executive Order 12893, the FHWA launched the TE-045 research program which invited States to come forward with new financing techniques not generally permissible under traditional Federal-aid procedures.

The successful experience under the TE-045 research program formed the foundation for subsequent legislative and regulatory actions. As a result, new financing techniques are now available to State and local governments and, in some cases, private project sponsors. These techniques offer more flexibility in meeting the non-Federal matching requirement, provide more credit options, and allow more effective use of obligation authority.

Grant Anticipation Revenue Vehicle (GARVEE) Bonds

Prior to November 1995, States could use their Federal-aid highway grants to repay only the project-related principal component of debt service on bonds issued for Title 23-eligible projects. Section 311 of the NHS Designation Act altered the rules by significantly expanding the eligibility of debt financing costs for Federal-aid reimbursement. This significant change to the Federal-aid program was codified into permanent highway law as an amendment to Section 122 of Title 23, U.S.C. Bond-related costs now eligible for Federal-aid reimbursement include:

- interest payments and retirement of principal under an eligible bond issue (including capitalized interest); and
- any other cost incidental to the sale of an eligible bond issue (including issuance costs, insurance or other credit enhancement fees and other bond-related costs as determined by the Secretary of Transportation).

The capitalization from bond proceeds of a reserve account or contingency fund required by or incidental to the debt issuance is considered an eligible Federal-aid expense. The funds deposited in such an account, along with any interest earnings, must be used for project costs—either on a current basis or as a final payment to the bondholders.

GARVEE Financing Procedures. To receive Federal-aid payments for eligible debt-related costs under Section 122 of Title 23, U.S.C., a project must be approved by FHWA as a Federal-aid bond issue project. At the time of project authorization, the State must elect to seek reimbursements for bond issue costs in lieu of construction invoice costs.

Once a State selects a project for GARVEE financing and its costs are estimated, the project is designated as an advance construction (AC) project under Section 115 of Title 23, U.S.C., by the responsible FHWA Division Office. The AC designation preserves the project's eligibility for future Federal assistance, over the life of the bonds. The amount of the AC designation should equal the Federal share (typically, 80 percent) of the debt-related costs anticipated to be reimbursed during the life of the bonds. All

projects approved for GARVEE financing must be eligible for Federal-aid funds under Title 23, U.S.C.

State Infrastructure Banks

The NHS Designation Act (P.L. 104-59, Section 350) authorized the DOT to establish the SIB pilot program. A SIB is a State (or multistate) revolving fund that can offer loans and non-grant forms of credit assistance to public and private sponsors of Title 23 highway construction projects or Title 49 transit capital projects. SIBs are intended to complement the traditional Federal-aid highway and transit programs by supporting certain projects with revenue streams which can be financed in whole or in part with loans, or that can benefit from the provision of credit enhancement. As loans are repaid, or the financial exposure implied by a credit enhancement expires, a SIB's initial capital is replenished and can be used to support a new cycle of projects.

Under the original NHS Designation Act provision, Congress established a pilot program for up to ten States to enter into cooperative agreements with the FHWA and/or the Federal Transit Administration (FTA) for the capitalization of SIBs with up to 10 percent of certain categories of their Federal-aid funds provided in fiscal years 1996-1997. The ten States initially selected by the DOT for the SIB pilot program were: Arizona, California, Florida, Missouri, Ohio, Oklahoma, Oregon, South Carolina, Texas, and Virginia. The DOT Appropriations Act of 1997 amended the NHS Designation Act to allow DOT to expand the SIB pilot program to include additional States, and appropriated \$150 million in Federal General Fund revenues for SIB capitalization. The TEA-21 extended the pilot program for four States—California, Florida, Missouri and Rhode Island—by allowing them to enter into cooperative agreements with DOT to capitalize their banks with Federal-aid funds provided in fiscal years 1998-2003. The SIB authorization in the TEA-21 modified some of the key provisions of the NHS Designation Act by: removing the 10 percent limit on the amount of Federal-aid that could be used for capitalization; eliminating the requirement for separate highway and transit accounts; applying Federal requirements to all SIB assistance, including second round assistance from non-Federal sources; and establishing a 5-year disbursement schedule for capitalization grants.

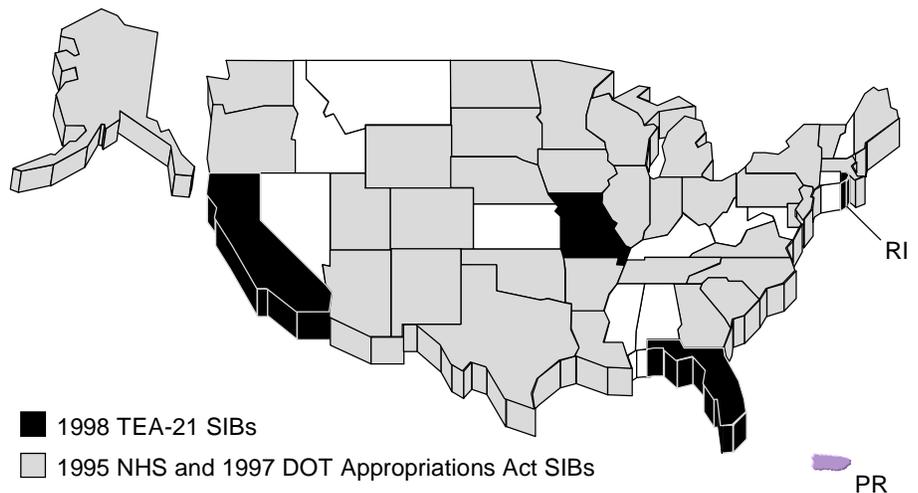


Figure N-2.—SIB Pilot States.

Structuring a SIB and Providing Credit Assistance to Projects.

Figure N-3 illustrates the basic structure of a SIB. In Step 1, a State requests Federal funds to capitalize the SIB. In Step 2, the State deposits its matching contribution. Funds are lent to a project in Step 3. The borrower makes loan repayment in Step 4, which can be recycled to make loans to other projects in Step 5. The structure is designed to allow for initial seed capital to be used to supply loans and credit enhancement on a revolving basis to eligible surface transportation projects.

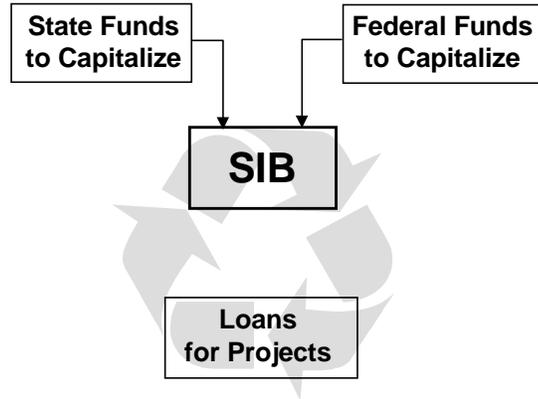


Figure N-3.—Basic SIB Structure.

SIBs provide financial support to public and private sponsors of eligible surface transportation projects during all project stages. The types of assistance which may be provided by SIBs include loans (which may be at below-market rates), guarantees, interest rate subsidies on other project debt, letters of credit, purchase and lease agreements and other forms of non-grant assistance.

Federal Credit Assistance: TIFIA

The Transportation Infrastructure Finance and Innovation Act (TIFIA), which was authorized in Sections 1501-1504 of TEA-21 and codified in Sections 181-189 of Title 23, U.S.C., authorizes DOT to provide secured (direct) loans, loan guarantees and standby lines of credit to private and public sponsors of eligible surface transportation projects. The objective of TIFIA is to use credit rather than grants to leverage limited Federal funding in a prudent, budget-effective manner, in order to help advance major projects of national or regional significance.

The TEA-21 provides \$530 million to cover the subsidy costs (expected losses) associated with the provision of Federal credit assistance under TIFIA. The total nominal amount of Federal credit assistance authorized under TIFIA for fiscal years 1999-2003 is limited to \$10.6 billion.

TIFIA Threshold Eligibility and Selection Criteria. In order to qualify for assistance under TIFIA, a project must meet a number of threshold eligibility criteria. First, the project must cost at least \$100 million (\$30 million for projects principally involving the installation of an intelligent

transportation system) or 50 percent of a State's most recent year's Federal-aid highway apportionments, whichever is less. Second, the project must be supported at least in part by user charges or other dedicated revenue sources. Third, the project must be included in a State transportation plan and an approved State Transportation Improvement Program. Fourth, the project must meet all governmental eligibility and compliance requirements specified within Sections 181 and 182 of Title 23, U.S.C. Last, a State or other sponsor undertaking the project must submit a project application to the Secretary of Transportation.

To be eligible for assistance, a project must be classified within one of the following categories:

1. Surface transportation projects as defined within Title 23 or chapter 53 of Title 49, U.S.C.;
2. International bridge or tunnel projects for which an international entity authorized under Federal or State law is responsible;
3. Intercity passenger bus or rail facilities and vehicles, including those owned by the National Railroad Passenger Corporation and components of magnetic levitation transportation systems; or
4. Publicly owned intermodal surface freight transfer facilities, provided that the facilities are located on or adjacent to National Highway System routes or connections to the National Highway System and are not seaports or airports.

Eligible projects meeting the initial threshold criteria will then be evaluated by the Secretary of Transportation based upon:

1. The extent to which the project is nationally or regionally significant, in terms of generating economic benefits, supporting international commerce or otherwise enhancing the national transportation system.
2. The creditworthiness of the project, including a determination by the Secretary of Transportation that any financing for the project has appropriate security features, such as a rate covenant, to ensure repayment.
3. The extent to which assistance would foster innovative public-private partnerships and attract private debt or equity investment.
4. The likelihood that assistance would enable the project to proceed at an earlier date than would otherwise be possible.
5. The extent to which the project uses new technologies, including intelligent transportation systems, that enhance the efficiency of the project.
6. The amount of budget authority required to fund the Federal credit instrument made available to the project.
7. The extent to which the project helps maintain or protect the environment.
8. The extent to which credit assistance would reduce the contribution of Federal grant assistance to the project.

In addition, each project applicant must provide a preliminary rating opinion letter from at least one rating agency indicating that the project's senior obligations have the potential to achieve an investment-grade rating.

Credit Instruments. Under TIFIA, DOT may offer three types of credit assistance to project sponsors—direct (secured) loans, loan guarantees and standby lines of credit. Direct loans and loan guarantees are intended to provide permanent financing, while standby lines of credit provide a secondary source of capital during a project's ramp-up phase. The remainder of this section describes the individual credit instruments in more detail.

Direct (Secured) Loans. Direct loans from the Federal government to project sponsors provide long-term, fixed-rate permanent financing in a manner that enables loan repayments to coincide with the receipt of project revenues rather than adhering to inflexible repayment schedules.

As authorized under TIFIA, direct Federal loans may fund up to 33 percent of project costs. The interest rate on such loans will be set at the Treasury rate for comparable-term securities. The maximum term is 35 years after project completion, and repayments may be deferred up to 10 years. Any deferred payments would be added to the outstanding loan balance and continue to accrue interest. The loans will be secured by a pledge of project revenues or other security features. DOT may charge application initiation and credit processing fees to offset a portion of the budgetary costs of providing loans.

More specific terms and conditions of each loan will be negotiated between DOT and the borrower, but will enable DOT to accept a claim on revenues junior to that of the project's senior indebtedness. In the event of default that leads to bankruptcy, insolvency or liquidation, DOT must have a parity or co-equal claim on project assets with other investors.

Loan Guarantees. Loan guarantees offered under TIFIA are intended to facilitate senior project borrowing by guaranteeing junior loans made by institutional investors. The terms of the loan guarantees are very similar to those established for the direct loan program. Loan guarantees are capped at 33 percent of project costs. The interest rate on guaranteed loans will be negotiated between the borrower and the lender and approved by the Secretary of Transportation. Interest payments on guaranteed loans will be subject to Federal income taxation. The maximum term of guaranteed loans is 35 years after project completion, and repayments may be deferred up to 10 years. The guaranteed loans will be secured with defined claims on project revenues.

Standby Lines of Credit. Under TIFIA, standby lines of credit represent contingent loans to help pay debt service, operations and maintenance, extraordinary repairs and other costs if needed to respond to revenue shortfalls in the first 10 years of project operations. In contrast to direct loans and loan guarantees, standby lines of credit would not be used to directly fund construction costs as part of the project's initial capitalization. The line is rather a supplemental source of reserves that

can be drawn upon if needed during the project’s ramp-up phase. The line is designed to provide a source of secondary capital if needed, thereby assisting the borrower in obtaining an investment-grade rating on its senior bonds.

These contingent loans may be in an amount up to 33 percent of projects costs, and may be drawn down over a ten year period following substantial project completion. The borrower may draw down up to 20 percent of the line in a given year. The interest rate on any draw will be set equal to the then-prevailing yield on 30-year Treasury bonds. The draws must be repaid, with interest, within 25 years following the period of availability. The contingent loans will be secured with defined claims on project revenues.

Leveraging Potential of Federal Credit. Table N-1 compares the leveraging potential of the Federal-aid grant program and the TIFIA credit program. Under the current Federal-aid program, the Federal contribution generally may not exceed 80 percent of project costs. If the remaining 20 percent of project costs covered by State, local and private contributions is considered to be induced by the Federal contribution, the resulting leverage ratio in terms of total investment to Federal contribution is 1.25 to 1. Under TIFIA, the Federal share is limited to 33 percent of project costs. Moreover, the credit instruments would have a fractional budgetary (subsidy) cost, perhaps on the order of 10 percent, based on the estimated losses for specific projects. Together, these two factors could produce a 30 to 1 leverage ratio of Federal budgetary resources.

Table N-1.—Leverage Comparison: Grants vs. TIFIA Credit (Hypothetical Project Cost: \$100).

Form of Assistance	Federal Share	Budgetary Cost per Dollar of Federal Assistance	Effective Budgetary Cost	Leverage Ratio
Grants	\$80.00	\$1.00	\$80.00	1.25:1
Credit	\$33.00	\$0.10*	\$3.30	30:1

*Estimated; subsidy amounts will vary from project to project.

Endnotes

¹ A technical correction act to the TEA-21 was included as Title IX of P.L. 105-206, the Internal Revenue Restructuring and Reform Act of 1998, enacted July 22, 1998. Title IX is cited as the “TEA 21 Restoration Act.”

² The Legislative Reorganization Act of 1946.

³ Although there are additional steps between committee approval and consideration on the floor of Congress, such as passing through the Rules Committee in the House, they are omitted for brevity.

⁴ These activities are authorized in Titles I and V of the TEA-21. For the purposes of this report, activities in Title I or V not administered by the FHWA are not considered part of the FAHP. See Appendix C for a list of authorizations by Title. Although the Motor Carrier Safety Program is administered by FHWA, it is funded under a separate budget account and is not included as part of the FAHP in this document.

⁵ 23 U.S.C. 144(e).

⁶ P.L. 105-178, Sections 1118 and 1119.

⁷ 23 U.S.C. 135(c) and 23 U.S.C. 134(f).

⁸ Although authorization amounts are set in the TEA-21, Congress also established a “trigger” to keep highway authorizations in tune (aligned) with estimated revenues (highway user taxes paid into the Highway Account of the Highway Trust Fund). As a result, beginning in FY 2000, TEA-21 requires that authorizations be adjusted up or down to reflect changed revenue estimates. This “revenue aligned budget authority” provision is discussed in more detail in the “Appropriations” section.

⁹ P.L. 105-178, Section 1224.

¹⁰ 23 U.S.C. 104(b).

¹¹ 23 U.S.C. 118(a).

¹² P.L. 93-344, Section 401(d)(1)(B).

¹³ 23 U.S.C. 121.

¹⁴ 23 U.S.C. 104(a). Also, 23 U.S.C. 104(h) provides for an up to 1.5 percent takedown from the Recreational Trails Program to cover the cost for administration of and research and technical assistance under the Recreational Trails Program and for administration of the National Recreational Trails Advisory Committee.

¹⁵ P.L. 105-277.

¹⁶ Ibid.

¹⁷ 23 U.S.C. 104(f)(1).

¹⁸ 23 U.S.C. 104(f)(2). The funds must be made available by the States to MPOs designated to carry out provisions of 23 U.S.C. 134.

¹⁹ 23 U.S.C. 104(d)(1).

- ²⁰ 23 U.S.C. 104(d)(2).
- ²¹ 23 U.S.C. 118(a).
- ²² 23 U.S.C. 505(b).
- ²³ 23 U.S.C. 133(d)(1) and (d)(2).
- ²⁴ 23 U.S.C. 133(d)(3)(A).
- ²⁵ 23 U.S.C. 133(d)(3)(B).
- ²⁶ P. L. 105-178, Section 1108(f).
- ²⁷ 23 U.S.C. 133(d)(3)(A).
- ²⁸ 23 U.S.C. 144(g)(3). A Federal-aid highway is any highway eligible for Federal assistance under Chapter 1 of Title 23 other than a highway classified as a local road or rural minor collector.
- ²⁹ P.L. 105-178, Section 1101(b).
- ³⁰ 23 U.S.C. 105.
- ³¹ 23 U.S.C. 118(b)(2).
- ³² *Ibid.*
- ³³ 23 U.S.C. 144(e).
- ³⁴ 23 U.S.C. 106(a).
- ³⁵ 23 U.S.C. 120.
- ³⁶ 23 U.S.C. 120(a).
- ³⁷ 23 U.S.C. 120(b).
- ³⁸ 23 U.S.C. 120(e).
- ³⁹ 23 U.S.C. 143.
- ⁴⁰ P. L. 105-178, Section 1116(c).
- ⁴¹ 23 U.S.C. 120(c).
- ⁴² P.L. 105-178, Section 1302(2).
- ⁴³ 23 U.S.C. 121(b)
- ⁴⁴ 23 U.S.C. 323.
- ⁴⁵ 23 U.S.C. 120(k).
- ⁴⁶ 23 U.S.C. 133(e)(5)(C)(ii).

⁴⁷ 23 U.S.C. 120(l).

⁴⁸ 23 U.S.C. 121(c).

⁴⁹ P. L. 101-453.

⁵⁰ P.L. 105-178, Section 8103.

⁵¹ P.L. 105-178, Section 1102(b). Certain programs authorized prior to TEA-21 are also exempt.

⁵² P.L. 105-178, Section 1102

⁵³ P.L. 105-178, Sections 1102(c)(1) and (2).

⁵⁴ P.L. 105-178, Section 1102(c)(3).

⁵⁵ P.L. 105-178, Section 1102(c)(4).

⁵⁶ P.L. 105-178, Section 1102(c)(5).

⁵⁷ P.L. 105-178, Section 1102(e)

⁵⁸ P.L. 105-178, Section 1102(f).

⁵⁹ P.L. 105-178, Section 1102(c)(6).

⁶⁰ P.L. 105-178, Section 1102(d).

⁶¹ P.L. 93-344, enacted July 12, 1974.

⁶² Balanced Budget and Emergency Deficit Control Act of 1985 and Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987.

⁶³ As estimated in OMB mid-session review of FY 2000 Budget, released June 28, 1999.

⁶⁴ The time period and the coverage of the spending caps has been modified several times since enactment of the BEA1990.

⁶⁵ The BEA1990 set a single cap for all discretionary spending. Subsequently, the Budget Enforcement Act of 1997 broke the discretionary cap into three segments—defense discretionary spending, violent crime reduction spending, and all other discretionary spending, with the Federal-aid Highway Program falling in the last category. The TEA-21 established separate discretionary spending caps for the highway and transit programs. The firewall for defense spending will expire at the end of FY 1999 unless it is extended, and the violent crime reduction category is eliminated after FY 2000.

⁶⁶ 23 U.S.C. 110.

⁶⁷ The Federal-aid Primary and Secondary Systems were the roads eligible for Federal assistance at the time.

⁶⁸ A portion of the fuel excise tax (4.3 cents per gallon) will continue to be imposed after that date, but it will not be credited to the Highway Trust Fund.

⁶⁹ The Surface Transportation Assistance Act of 1982 provided that one-ninth (about 1 cent per gallon) of the fuel tax revenue would be deposited in the Mass Transit Account. This provision has been amended several times. Effective October 1, 1997, the deposit to the Mass Transit Account is 2.86 cents per gallon of most taxable highway motor fuels.

⁷⁰ Effective January 1, 1987, the Leaking Underground Storage Tank Trust Fund was established and an additional tax of 0.1 cent per gallon on highway and other fuels was dedicated to this fund.

⁷¹ In the case of gasohol and certain other alcohol blends, the 2.5 cents per gallon continues to be directed to the General Fund.

⁷² Motor Carrier Safety Act of 1984; codified in 49 U.S.C. 521.

⁷³ 26 U.S.C. 9601.

⁷⁴ 26 U.S.C. 9503(f).

⁷⁵ The Byrd Amendment is named for Senator Harry Byrd of Virginia who was a member of the Senate Finance Committee at the time the Highway Revenue Act of 1956 was being debated. His concern for the future solvency of the Highway Trust Fund led to the amendment of the bill.

⁷⁶ 26 U.S.C. 9503(d).

⁷⁷ This is a rare occurrence. The last such action was in 1980 when an additional \$1.4 billion in liquidating cash was provided by the Supplemental Appropriations and Rescission Act, 1980 (P.L. 96-304).

⁷⁸ 26 U.S.C. 9503(c).